



INDUSTRIAL HOLDING BULGARIA

INDUSTRIAL HOLDING BULGARIA PLC

PUBLIC NOTIFICATION FOR FINANCIAL POSITION

31 March 2021

INDUSTRIAL HOLDING BULGARIA PLC
PUBLIC NOTIFICATION FOR FINANCIAL POSITION

For the period ended 31 March 2021

CORPORATE INFORMATION

Industrial Holding Bulgaria PLC 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. The company has a two-tier system of governance, comprising Supervisory Board and Management 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 to use patents to companies in which the Company holds shares, financing of companies in which the Company holds shares, as well as any other activity not prohibited by law.

The duration of the Company shall be perpetual and the Company is not limited by other resolute condition.

The Company is entered into the Commercial Register at the Registry Agency with Identification Code 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

Separate Statement of Comprehensive Income

| <i>BGN'000</i> | 31 March 2021 | 31 March 2020 |
|--|--------------------------|--------------------------|
| Interest and dividend income | 4,402 | 11,806 |
| Other operating income | 11 | 18 |
| | 4,413 | 11,824 |
| Costs of personnel | (152) | (148) |
| Costs of hired services | (66) | (45) |
| Other operating expenses | (65) | (63) |
| Operating profit | 4,130 | 11,568 |
| Finance costs | (59) | (75) |
| Profit before tax | 4,071 | 11,493 |
| Income tax (expense) / benefit | - | - |
| Profit for the period | 4,071 | 11,493 |
| Other comprehensive income / (loss) | - | - |
| Total comprehensive income for the period, net of taxes | 4,071 | 11,493 |

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Separate Statement of Financial Position

BGN'000

| | 31 March | 31 December |
|--|-----------------|--------------------|
| | 2021 | 2020 |
| ASSETS | | |
| Non – current assets | | |
| Non-current tangible and intangible assets | 120 | 80 |
| Right-to-use assets | 747 | 787 |
| Investments in subsidiaries | 179,143 | 179,143 |
| Loans to related parties | 63,550 | 63,473 |
| Differed tax asset | 5 | 5 |
| Total non-current assets | 243,565 | 243,488 |
| Current assets | | |
| Loans to related parties | 791 | 613 |
| Trade and other receivables | 752 | 525 |
| Cash and cash equivalents | 872 | 749 |
| Total current assets | 2,415 | 1,887 |
| TOTAL ASSETS | 245,980 | 245,375 |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Share capital | 107,400 | 107,400 |
| Share premium | 30,604 | 30,604 |
| Treasury shares redeemed | (8,692) | (8,668) |
| Statutory and other reserves | 9,661 | 9,661 |
| Retained earnings | 97,428 | 93,357 |
| Total equity | 236,401 | 232,354 |
| Non-current liabilities | | |
| Interest-bearing loans and borrowings | 4,237 | 5,215 |
| Lease liabilities | 608 | 646 |
| Retirement benefit liabilities | 35 | 35 |
| Total non-current liabilities | 4,880 | 5,896 |
| Current liabilities | | |
| Interest-bearing loans and borrowings | 3,917 | 3,917 |
| Lease liabilities | 155 | 155 |
| Deposits from related parties | 594 | 2,967 |
| Trade and other payables | 33 | 86 |
| Total current liabilities | 4,699 | 7,125 |
| Total liabilities | 9,579 | 13,021 |
| TOTAL EQUITY AND LIABILITIES | 245,980 | 245,375 |

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Separate Statement of Cash Flows

BGN'000

| | 31 March 2021 | 31 March 2020 |
|--|--------------------------|--------------------------|
| Operating activity | | |
| Dividends received | 486 | 399 |
| Cash loans repaid from related parties | 1,102 | 772 |
| Cash loans to related parties | (1,179) | (1,815) |
| Interest received on loans to related parties | 61 | 141 |
| Proceeds from customers | 12 | 11 |
| Remuneration related payments | (155) | (149) |
| Payments to suppliers and others | (110) | (54) |
| Net cash flows from operating activity | 217 | (695) |
| Investing activity | | |
| Purchase of property, plant and equipment | (50) | - |
| Acquisition of investments | - | (13) |
| Net cash flows used in investing activity | (50) | (13) |
| Financing activity | | |
| Payments on redemption of treasury shares | (24) | (1,034) |
| Principal paid on bank loan | (978) | (977) |
| Interest paid on bank loan | (41) | (61) |
| Charges paid on bank loan | (3) | (4) |
| Liabilities paid under lease contracts | (38) | (39) |
| Interest paid under lease contracts | (3) | (4) |
| Deposits from related parties | 1,046 | 1,335 |
| Other proceeds and payments | (3) | (6) |
| Net cash flows used in financing activity | (44) | (790) |
| Increase in cash and cash equivalents | 123 | (1,498) |
| Cash and cash equivalents on 1 January | 749 | 1,659 |
| Cash and cash equivalents on 31 March | 872 | 161 |

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Separate Statement of Changes in Equity

| <i>BGN'000</i> | Share capital | Share premium | Treasury shares redeemed | Statutory and additional reserves | Retained earnings | Total |
|--|----------------|---------------|--------------------------|-----------------------------------|-------------------|----------------|
| Balance as at 1 January 2020 | 107,400 | 30,604 | (6,536) | 9,661 | 102,772 | 243,901 |
| Total comprehensive income for the period | | | | | | |
| Profit for the period | - | - | - | - | 11,493 | 11,493 |
| Other comprehensive income for the period | - | - | - | - | - | - |
| Total comprehensive income for the period | - | - | - | - | 11,493 | 11,493 |
| Transactions with shareholders recognised in equity | | | | | | |
| Treasury shares redeemed | - | - | (1,034) | - | - | (1,034) |
| Total transactions with shareholders | - | - | (1,034) | - | - | (1,034) |
| Balance as at 31 March 2020 | 107,400 | 30,604 | (7,570) | 9,661 | 114,265 | 254,360 |
| Balance as at 1 January 2021 | 107,400 | 30,604 | (8,668) | 9,661 | 93,357 | 232,354 |
| Total comprehensive income for the period | | | | | | |
| Profit for the period | - | - | - | - | 4,071 | 4,071 |
| Other comprehensive income for the period | - | - | - | - | - | - |
| Total comprehensive income for the period | - | - | - | - | 4,071 | 4,071 |
| Transactions with shareholders recognised in equity | | | | | | |
| Treasury shares redeemed | - | - | (24) | - | - | (24) |
| Total transactions with shareholders | - | - | (24) | - | - | (24) |
| Balance as at 31 March 2021 | 107,400 | 30,604 | (8,692) | 9,661 | 97,428 | 236,401 |

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Interest and dividend income

| <i>BGN'000</i> | <u>31 March 2021</u> | <u>31 March 2020</u> |
|-----------------|----------------------|----------------------|
| Dividend income | 4,163 | 11,535 |
| Interest income | 239 | 271 |
| | <u>4,402</u> | <u>11,806</u> |

Dividend income of BGN 4,163 thousand (31 March 2020: BGN 11,535 thousand) was reported as at 31 March 2021, distributed by:

| <i>BGN'000</i> | <u>31 March 2021</u> | <u>31 March 2020</u> |
|-------------------------|----------------------|----------------------|
| ZMM Bulgaria Holding AD | 3,329 | 11,385 |
| IHB Shipdesign AD | 698 | - |
| Maritime Holding AD | 136 | 150 |
| | <u>4,163</u> | <u>11,535</u> |

The main portion of the dividend distributed as at 31 March 2020 by ZMM Bulgaria Holding AD is based on profits earned by its subsidiary IHB Electric AD (obliterated).

Interest income of BGN 239 thousand (31 March 2020: BGN 271 thousand) originates from interest-bearing receivables from subsidiaries on cash loans granted.

Employee benefits

| <i>BGN'000</i> | <u>31 March 2021</u> | <u>31 March 2020</u> |
|--|----------------------|----------------------|
| Wages and salaries | (133) | (130) |
| Social insurance costs and other social payments | (19) | (18) |
| | <u>(152)</u> | <u>(148)</u> |

Other operating expenses

| <i>BGN'000</i> | <u>31 March 2021</u> | <u>31 March 2020</u> |
|--------------------------------------|----------------------|----------------------|
| Depreciation / amortization expenses | (52) | (51) |
| Expenses on materials | (8) | (8) |
| Other operating expenses | (5) | (4) |
| | <u>(65)</u> | <u>(63)</u> |

Finance costs

| <i>BGN'000</i> | <u>31 March 2021</u> | <u>31 March 2020</u> |
|--|----------------------|----------------------|
| Interest expenses on bank loans | (41) | (60) |
| Interest expenses on lease contracts | (3) | (4) |
| Interest expenses on deposits from related parties, etc. | (10) | (6) |
| Charges bank loans | (3) | (4) |
| Losses on FX differences | (1) | - |
| Other finance costs | (1) | (1) |
| | <u>(59)</u> | <u>(75)</u> |

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Income tax

The Company owes no income taxes for the periods ended 31 March 2021 and 31 March 2020.

The reconciliation of income tax expenses and the accounting profit multiplied by the applicable rate for the periods ended 31 March 2021 and 31 March 2020 is as follows:

BGN'000

| | <u>31 March</u> <u>2021</u> | <u>31 March 2020</u> |
|--|--------------------------------|----------------------|
| Accounting (loss) / profit before taxes | 4,071 | 11,493 |
| Income tax expense at the applicable tax rate of 10% for 2021 (2020: 10%) | (407) | (1,149) |
| Non-deductible expenses – revaluation | 416 | 1,154 |
| Tax loss, for which tax asset is not recognized | (9) | (5) |
| Income tax benefit / (expense) at an effective tax rate of 0% (2020: 0%) | - | - |

As at 31 March 2021, the Company reported a deferred tax asset of BGN 5 thousand (at 31 December 2020: BGN 5 thousand) on accrued retirement benefit liabilities, the lease liability and the right-of-use asset.

Investments in subsidiaries

Investments, held by the Company as of 31 March 2021 and 31 December 2020, were as follows:

| <i>BGN'000</i> | Country of incorporation | <u>31 March 2021</u> | | <u>31 December 2020</u> | |
|--|-----------------------------|-----------------------|---------------------|-------------------------|---------------------|
| | | Share amount | Share percentage | Share amount | Share percentage |
| ZMM Bulgaria Holding AD | Bulgaria | 7,885 | 99.998 | 7,885 | 99.998 |
| Privat Engineering EAD | Bulgaria | 32,713 | 100.000 | 32,713 | 100.000 |
| KRZ Port Burgas AD | Bulgaria | 4,774 | 99.650 | 4,774 | 99.650 |
| Maritime Holding AD | Bulgaria | 400 | 61.000 | 400 | 61.000 |
| International Industrial Holding Bulgaria AG | Switzerland | 130 | 100.000 | 130 | 100.000 |
| KLVK AD | Bulgaria | 46,096 | 67.960 | 46,096 | 67.960 |
| IHB Shipdesign AD | Bulgaria | 70 | 70.000 | 70 | 70.000 |
| Bulyard Shippbuilding Industry AD | Bulgaria | 63,371 | 95.890 | 63,371 | 95.890 |
| Odessos PBM EAD | Bulgaria | 23,653 | 100.000 | 23,653 | 100.000 |
| IHB 3 Design AD | Bulgaria | 51 | 51.000 | 51 | 51.000 |
| | | <u>179,143</u> | | <u>179,143</u> | |

The Company holds also 2 shares of the capital of IHB Metal Castings AD, a subsidiary of ZMM Bulgaria Holding AD.

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Interest-bearing loans and borrowings

| <i>BGN'000</i> | Currency | Interest rate % | 31 March 2021 | 31 December 2020 |
|--|-----------------|---------------------------|----------------------|-----------------------------|
| Bank Loan Agreement 16 of 27 March 2018 | EUR | 1.9% | 8,154 | 9,132 |
| | | | 8,154 | 9,132 |
| Long-term portion | | | 4,237 | 5,215 |
| Short-term portion | | | 3,917 | 3,917 |

The bank loan agreement 16 of 27 March 2018 concluded for the purpose to refinance part of the debenture loan is repaid in equal monthly instalments and matures in April 2023. Guarantors on the contract are subsidiaries. The contract is secured by mortgages on real estate (land and buildings) of a subsidiary.

Lease liabilities

| <i>BGN'000</i> | 31 March 2021 | 31 December 2020 |
|--------------------|----------------------|-----------------------------|
| Lease liabilities | 763 | 801 |
| Long-term portion | 608 | 646 |
| Short-term portion | 155 | 155 |

The lease liability represents the discounted amount of the estimated rental payments under a contract for the rent of an office (a building). Pursuant to the latter contract, the Company also recognized a right-of-use asset.

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Equity

Share capital - registered

The share capital is stated at par according to the court registration.

| <i>BGN'000</i> | 31 March 2021 | 31 December 2020 |
|--|----------------------|-------------------------|
| 107,400,643 ordinary shares with a nominal value of BGN 1 each | 107,400 | 107,400 |
| | 107,400 | 107,400 |

The company's capital comprises 107,400,643 registered dematerialised voting shares with a nominal value 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 2021 are as follows:

| <i>Shareholder</i> | Number of shares as at 31 March 2021 | 31 March 2021 |
|-------------------------------------|---|----------------------|
| 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* | 9,102,995 | 8.48% |
| Others | 44,642,333 | 41.56% |
| | 107,400,643 | 100.00% |

** Treasury shares redeemed*

The total number of the treasury shares held as at 31 December 2020 is 9,073,468 for the total amount of BGN 8,668 thousand. Over the period 01 January 2021 – 31 March 2021, 29,527 treasury shares amounting to BGN 24 thousand were bought up. The number of the treasury shares redeemed as at 31 March 2021 is 9,102,995 for the total amount of BGN 8,692 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 disclosures

The Company is of the opinion that in accordance with the definitions of IAS 24 it is a related party with:

I. Persons exercising control within the meaning of IAS 24

- Bulls AD, a company that holds directly and indirectly through a subsidiary 41.62% of the shares of Industrial Holding Bulgaria PLC, which has allowed, 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 (GMS) over the last two years, a majority vote and de facto control to be exercised at the GMS of Industrial Holding Bulgaria PLC;
- Dimitar Zhelev, a person exercising control over Bulls AD and husband of Daneta Zheleva, the Chief Executive Officer of Industrial Holding Bulgaria PLC.

The judgement as to whether control is exercised, as described above, is subject to regular review.

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

III. Entities under the joint control of the Persons exercising control within the meaning of IAS 24 (under item I)

IV. Entities, over which the persons that have control within the meaning of IAS 24 (under item I) also exercise significant influence or are members of their key management personnel

V. Subsidiaries

- *Subsidiaries in which the Company holds direct control*

The direct subsidiaries of Industrial Holding Bulgaria PLC as at 31 March 2021 and 31 December 2020 are disclosed in *Investments in subsidiaries*.

- *Subsidiaries in which the Company holds indirect control*

IHB Electric (obliterated) is an indirect subsidiary of Industrial Holding Bulgaria PLC because it is a subsidiary of ZMM Bulgaria Holding AD, a direct subsidiary of Industrial Holding Bulgaria PLC. Karvuna Ltd. and Tirista Ltd. are indirect subsidiaries of Industrial Holding Bulgaria PLC because they are subsidiaries of Privat Engineering EAD, a direct subsidiary of Industrial Holding Bulgaria PLC. Bulport Logistics AD and Odria Ltd are indirect subsidiaries because they are subsidiaries of KLVK AD, a direct subsidiary of Industrial Holding Bulgaria PLC.

The total amount of related party transactions and outstanding balances for the current and previous reporting periods is as follows:

Receivables from and payables to related parties

Loans to related parties

| <i>BGN'000</i> | Type of transaction | 31 March 2021 | 31 December 2020 |
|---------------------|----------------------------|----------------------|-------------------------|
| <i>Subsidiaries</i> | Principal | 63,550 | 63,473 |
| | Interest | 791 | 613 |
| | | 64,341 | 64,086 |
| Long-term portion | | 63,550 | 63,473 |
| Short-term portion | | 791 | 613 |

The loans granted are secured by promissory notes, except for the loan extended to Odria Ltd of BGN 17,303 thousand as at 31 March 2021, which is secured by a first ranking sea mortgage on m/v Dimond Sky, owned by a subsidiary.

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Trade and other receivables

| <i>BGN'000</i> | Type of transaction | 31 March 2021 | 31 December 2020 |
|--|----------------------------|----------------------|-------------------------|
| <i>Subsidiaries</i> | Dividends | 749 | 501 |
| <i>Subsidiaries</i> | Receivables from rents | 1 | - |
| <i>Entities, over which the persons that have control within the meaning of IAS 24 (under item I) also exercise significant influence or are members of their key management personnel</i> | Prepayments | - | 10 |
| | | 750 | 511 |

Cash with banks – related parties

| <i>BGN'000</i> | | 31 March 2021 | 31 December 2020 |
|--|--|----------------------|-------------------------|
| <i>Entities, over which the persons that have control within the meaning of IAS 24 (under item I) also exercise significant influence or are members of their key management personnel</i> | | 6 | 103 |
| | | 6 | 103 |

Deposits from related parties

| <i>BGN'000</i> | Note | 31 March 2021 | 31 December 2020 |
|---------------------|-------------|----------------------|-------------------------|
| <i>Subsidiaries</i> | Principal | 593 | 2,960 |
| | Interest | 1 | 7 |
| | | 594 | 2,967 |
| Long-term portion | | - | - |
| Short-term portion | | 594 | 2,967 |

Deposits received from subsidiaries as at 31 March 2021 are not secured and bear a fixed interest rate; they mature on 30 April 2021. The terms and conditions of deposits as at 31 December 2020 remain the same.

Sale transactions

| <i>BGN'000</i> | Type of transaction | 31 March 2021 | 31 March 2020 |
|---------------------|----------------------------|----------------------|----------------------|
| <i>Subsidiaries</i> | Dividend income | 4,163 | 11,535 |
| | Rental income | 11 | 18 |
| | | 4,174 | 11,553 |

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Purchase transactions

| | Type of transaction | 31 March 2021 | 31 March 2020 |
|--|----------------------------|----------------------|----------------------|
| <i>Entities, over which the persons that have control within the meaning of IAS 24 (under item I) also exercise significant influence or are members of their key management personnel</i> | Costs of hired services | 2 | 1 |
| | Other finance costs | 1 | - |
| | | <u>3</u> | <u>1</u> |

Loans to related parties

| <i>BGN'000</i> | | Amounts granted | Non-cash – (increase) / decrease | Principal repaid | Interest income | Interest received |
|----------------|----------------------|------------------------|---|-------------------------|------------------------|--------------------------|
| Subsidiaries | 31 March 2021 | (1,179) | - | 1,102 | 239 | 61 |
| Subsidiaries | 31 March 2020 | (1,815) | - | 772 | 271 | 141 |
| | 31 March 2021 | (1,179) | - | 1,102 | 239 | 61 |
| | 31 March 2020 | (1,815) | - | 772 | 271 | 141 |

Deposits from related parties

| <i>BGN'000</i> | | Amounts received | Non-cash – increase / (decrease) | Principal paid | Interest expenses | Interest paid |
|----------------|----------------------|-------------------------|---|-----------------------|--------------------------|----------------------|
| Subsidiaries | 31 March 2021 | 1,046 | (3,429) | - | (10) | - |
| Subsidiaries | 31 March 2020 | 1,335 | (822) | - | (6) | - |
| | 31 March 2021 | 1,046 | (3,429) | - | (10) | - |
| | 31 March 2020 | 1,335 | (822) | - | (6) | - |

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Commitments and contingencies

Legal claims

No legal claims have been filed against the Company.

Guarantees

According to Contract 319 of 30 November 2006 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 2021:

- bank guarantees of BGN 20 thousand (31 December 2020: BGN 20 thousand) were issued to Group companies: 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 2020: BGN 3,000 thousand);
- a letter of credit for BGN 264 thousand was issued to Odessos PBM EAD (31 December 2020: BGN 264 thousand);
- a revolving credit line for working capital financing of BGN 5,500 thousand was opened (31 December 2020: BGN 5,500 thousand). As of 31 March 2021, the amount utilised under this revolving credit line for working capital financing by the subsidiary ZMM Sliven AD was BGN 23 thousand, by Odessos PBM EAD - BGN 200 thousand, by Bulyard Shipbuilding Industry AD – BGN 498 thousand, by KRZ port Burgas – BGN 135 thousand, and by ZMM Nova Zagora AD – BGN 700 thousand (on a net basis), respectively.

As of 31 March 2021, the unutilized limit under this contract for provision of a credit limit amounted to BGN 3,944 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

To secure Bank loan agreement 16 of 27 March 2018 concluded for the purpose of partial financing of a debenture loan, the Company concluded a financial collateral agreement through a pledge of receivables providing for a right of use over all its accounts with the bank-creditor in an amount that should be at least equal to the loan liability at the relevant time.

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Non-systematic risks specific to the Company

Risks associated with the holding structure and the structure of the portfolio of IHB

In so far as the activity of the Company relates to management of other companies' assets, it is exposed to the Group subsidiaries' industry risks. The Group's investments are focused on industries characterised by slow rotation of funds invested (machine-building), dependence on energy and other resources (machine-building, ship repair, maritime transport) and high cyclicality (ship repair, ship design, maritime transport, classification and certification, and port activity), thus reducing the return on the investment portfolio of the Holding as a whole.

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.

The ongoing pandemic has had the greatest impact on maritime transport, increasing the risk of bankruptcies of charterers. In the current commercial practice in the industry, such bankruptcies have led to claims by charterers' creditors against shipowners and arrests of ships to satisfy these claims.

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 the business of all economic agents.

The state of the global economy and demand for raw materials underpin the development of trade. Of all industries in the IHB's investment portfolio, the most direct and imminent impact they have on the 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 regulations 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. 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 spread of the COVID-19 pandemic and the contraction of the global economy, the risk of fraud and abuse increases, including that related to cyber-attacks, unscrupulous trade practices, bankruptcies of contractors, 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, its impact 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 credit risk worldwide and for the Group in particular is still high primarily 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.

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

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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 credit risk worldwide and for the Group in particular is still high due to the continuing negative effects 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 Bulgaria's joining the ERM II exchange rate mechanism (the so-called euro area waiting room), there is a low risk that the EUR exchange rate agreed vis-à-vis the exchange rate of the Bulgarian lev in the event of entry into the Euro area 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 businesses, in which the Group companies operate

Maritime transport

The shipping market has reported an upward development in the first quarter of 2021. Demand for tonnage increased. Freight levels have risen significantly. The price of scrap metal has increased as well. Despite the increase, the cutting of old vessels and the reduction of tonnage in operation continues at a slow pace and volume. Orders for new ships are low. The market is expected to stabilise and maintain high levels of freight this year. Its future will depend on the development of the COVID-19 pandemic and its impact on the global economy, the US-China trade war, numerous local conflicts and sanctions that were imposed.

The sector is also affected by the effective conventions on ballast water treatment and reducing the sulphur content of fuels. Since the beginning of 2020, all group vessels have been using low sulphur content fuels. The new ballast water treatment requirements have been implemented gradually. The ballast systems of both ships from the IHB's fleet were installed, namely m/v Karvuna and m/v Antea. The other ships of the Group are expected to meet the new environmental requirements in their next scheduled class repairs to be carried out in 2021 and the first half of 2022. These mandatory investments 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 ships to continue operating and generating revenue in the future.

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In the coming years, the impact of other new regulations for the reduction of carbon dioxide emissions in the atmosphere in accordance with Plan 2030-2050 and the Energy Efficiency Existing Ship Index will be assessed, as well as possible solutions to comply therewith (see Ship Design section).

At present, **all vessels** of the Group are operational and continue performing their current trade commitments.

Ship building and ship repair

The expected recovery of the business in 2021 is mainly conditioned on the exhausting opportunities for the owners to postpone the class repairs of their ships, without which the vessels cannot continue to operate. Increasing pressure to meet regulatory requirements, combined with the upward development of the freight market, pushed on shipowners, increased inquiries and repair orders in the first quarter of 2021. As a result, the production schedule of **Bulyard Shipbuilding Industry** is full for several months ahead. It is expected that this year the repairs will increase in terms of volume and revenue compared to 2020.

In the medium term, the enhanced environmental measures for ships in operation and the legal requirements imposed on them to install ballast water systems and possibly purifying (the so-called scrubber) systems if that is beneficial to shipowners from an economic perspective will continue to impact positively on the industry due to the increased volume of ship repairs that will have to be performed. In the next few years, the orders will include re-equipment of ships, will take longer and will cost more. In the long run, a similar effect is expected from the new rules for the reduction of carbon dioxide emissions in the atmosphere.

Following the reduced construction of new and the delayed modification and upgrade of existing vessels in 2020 due to the COVID-19 pandemic, at present new orders are still low. The scraping of old ships continues. It is expected that the upward movement and stabilisation of maritime transport will naturally affect the gradual recovery of shipbuilding and provide more opportunities for Bulyard Shipbuilding Industry to participate in such projects.

Ship design

The positive development of maritime transport and changes in the business environment observed in the first quarter of 2021 have increased the demand for design services for retrofit, renovation, conversion and addition of new equipment to existing ships.

The market for retrofit services and 3D laser scanning is moving the fastest. The restrictions imposed as a result of the COVID-19 pandemic has resulted in a new type of cooperation between different companies around the world. Management of **IHB Shipdesign** negotiates with local design companies from North America, South America and Europe the provision of 3D scanning services, while the design itself is carried out at the company's office. These services relate to the new environmental requirements in the industry for the installation of ballast systems. Due to the crisis, many shipowners are taking the opportunity to temporarily postpone their projects. The gradual expiration of the statutory deadline for their implementation and the continuing growth of the shipping market have increased the demand for retrofit services and 3D laser scanning and give hope to compensate for the delay seen in 2020. IHB Shipdesign is working on new projects benefiting from the revival in the market and good opportunities.

The cruise ship market is still around its low level from the previous year. The rapid purchase of tickets from the pre-offer of travel in the summer season of 2021 and the expected easing of measures in a number of countries during the warm months bring optimism to restart this market segment in 2021.

The rise in oil prices combined with the upward trend in the freight market in the first quarter of 2021 may retrieve shipowners' interest in supplying their engines with purifying (the so-called scrubber) systems that will allow the ships to use high-sulphur fuel, and revive the demand for design and installation services.

Management of IHB Shipdesign closely monitors trends in the development of global environmental policies. The company team has elaborated a concept for the design of a small passenger ship operating on hydrogen fuel in accordance with Plan 2030-2050 for the reduction of carbon dioxide emissions in the atmosphere. In addition to this plan, a new Energy Efficiency Existing Ship Index (EEXI) enters into force, which obliges vessels in operation to reduce carbon emissions by 2030. This will necessitate many retrofit solutions in order to optimise the existing ships and enable them to comply with the mandatory standards. Some of them, for which these solutions

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are not effective, will be scrapped, and the number of new orders that comply with the statutory requirements will increase. The intensifying global environmental policy will continue to change the current regulations on vessels in the future as well, and that in turn will have a positive impact on the demand for design services and the development of the entire maritime business.

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 the market.

Classification and certification

Bulgarian Ship Register (BRS) reports growth in revenue and its performance in the first quarter of 2021 compared to the same period last year. Despite ongoing restrictions due to COVID-19, the main portion of the requested inspections of vessels have been completed. Thanks to the developed network of BRS representatives abroad, the company provides its customers with a competitive service in terms of cost and lead time. During the winter months, usually there is a decrease in the number of inspections of small vessels, which is a result of the seasonal nature of their operation. It is expected that the number of requests will increase in the coming months. The register supervises the construction of a new tourist catamaran for passenger transport, ordered by the Burgas municipality, which shall be completed by the end of the year. The strengthening environmental protection regulations will continue to change the requirements the existing and newly built vessels will have to comply with. The demand for classification and certification services will increase.

The management's efforts are focused on finding new agents, attracting new shipowners, developing and offering additional services to the main ones. In the latest publication of the Paris Memorandum on the Presentation of the Recognized Organizations, BSR retains its current position, which is a prerequisite for attracting new customers and applying for approval to new Flag Administrations.

Port operations

The port terminals of **KRZ Port Burgas** and **Odessos PBM** are part of the public transport ports in Burgas and Varna. Their development 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.

For cereals, of which Bulgaria is a traditional exporter, the demand for port services and freight flows depend on the volume of crops harvested in the port areas served by these terminals. As a result of the poor grain harvest in the country in 2020, the loads are weak in the first quarter of 2021, and the tendency to maintain smaller stocks in anticipation of high yields from the new harvest continues. 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 forthcoming commissioning of new processing facilities will increase the demand for closed warehouses. In connection with the above, there is a trend to direct the efforts of the port terminals in the regions 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 Group's investment intentions to expand the two port terminals depend mostly on grain cargo due to its large volume and stable demand for port services including in times of crisis. The two subsidiaries are working on the technical design and obtaining the necessary building permits by the end of 2021 in order to be able to implement their projects.

Following the contraction of metal and scrap cargo in 2020, the rise in the price of metal scrap in the first quarter of 2021 and the near future for the development of related industries in Turkey have actively stimulated the export of these cargoes. At the same time, importers are cautious and do not maintain large stocks in anticipation of a price drop. Some of them have changed their logistics schemes and are organising small deliveries by rail from Ukraine instead of the usual ship deliveries. The recovery of metal and scrap cargo volumes from before the pandemic depends on the development of the economy and investments in infrastructure and construction projects.

In general, the Group's two port terminals' diversification of cargo and their approbated market position enable the ports to continue their activities although at reduced profitability due to the latest market developments and changes in the business environment.

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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 offices and areas for storage and production activities. Continuing restrictions at the government level imposed in relation to the pandemic affected negatively the demand for office space and repairs of small vessels in the first quarter of 2021, due to shrinking economic activity of potential customers. Management expects that there will be greater clarity in business environment in the second half of the year and that it will be able to gradually let out the vacant office space in the medium term. The company is also looking for opportunities for alternative solutions in this direction, researching the market of shared spaces.

Machine building

Despite the ongoing pandemic of COVID-19, 2021 began with a reviving investment activity of the customers of both **ZMM Bulgaria Holding** and its **subsidiaries**. Demand for metal-cutting machines offered by the Group continued to grow after the end of 2020 as well. The volume of orders maintained its upward trend throughout the first quarter, which strengthened expectations for a better 2021. However, this growth was more difficult to meet with extended lead time due to the shrank production in 2020 and partially disrupted production rhythm as a result of the large number of ill people that was observed during the subsequent waves of the pandemic. These negative effects were exacerbated by a sharp rise in the prices of basic raw materials, which was reflected in increased costs of input materials and a significant increase in the prices of key suppliers. In order to compensate for the long delays of some of the suppliers and the unforeseen new increase in prices, management took urgent measures. Alternative suppliers of key components have been ensured, the demand for direct purchase of raw materials for IHB Metal Castings has increased, and planned estimated quantities for delivery have been ordered. ZMM Sliven and ZMM Nova Zagora constantly upgrade their technology aiming at reducing the run time and downtime of the machines. The production schedule is stabilized. The development of the pandemic and the restrictions imposed locally to preserve the health of the teams, possible new closing of the borders and the limited opportunity to travel and participate in exhibitions will continue to have their negative effect.

Despite the temporary difficulties, the active and consistent marketing policy pursued by ZMM Bulgaria Holding, the change in the pricing and product development processes in combination with the increased online presence, will continue to bear fruits - there is a steady trend of increasing the inquiries from end-customers with a very wide geographical diversification that in the long run is expected to result in sustainable market positions for the 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 2021.

As at 31 March 2021, Industrial Holding Bulgaria PLC had information about the following shareholders holding more than 5% of the votes at the General Meeting, as follows:

1. 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 2021: 37,608,121 shares representing 35.02% of votes held directly

2. 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 2021: 7,089,320 shares representing 06.60 % 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 2021: 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 2021: 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 March 2021: 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.

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As at 31 March 2021, IHB held 9,102,995 redeemed treasury shares representing 8.48% 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.

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

For the reporting period, there are no initiated or terminated cases in which the price of the claim amounts to or exceeds 10 percent of the equity of Industrial Holding Bulgaria PLC.

On 5 December 2020, in Mombasa, Kenya, Motor ship (m / v) Diamond Sky, registered in the port of Valletta, Malta, owned by ODRIA LTD, a subsidiary of Industrial Holding Bulgaria PLC, was arrested as collateral for a claim for incorrectly delivered cargo and expenses due to the bankruptcy of the cargo charter party. In January 2021, all claims in connection with this case were settled by a signed out-of-court settlement, the arrest of the ship was lifted and the ship was again operational.

On 16 December 2020, Industrial Holding Bulgaria PLC and KLVK AD claimed in court their rights to mortgage creditors under the first-ranking, respectively second-ranking, maritime mortgage on m / v Diamond Sky. In March 2021 all cases have been discarded.

The value of each of the two claims is below the one indicated in item 1.30 of Annex 9.

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 Public Notification has been prepared in accordance with the requirements of Art. 100o¹, par. 4 of POSA.

Daneta Zheleva
Chief Executive Officer
Industrial Holding Bulgaria PLC

Ivan Rashkov
Chief Accountant

Vladislava Zgureva
Investors Relations Director