

SIGNIFICANT TERMS AND CONDITIONS OF A TENDER OFFER

On the grounds of Article 149, Para 6, of the Public Offering of Securities Act (POSA), **BULLS AD** (the „Tender offeror“ or the „Offeror“) makes this Tender offer (the „Tender offer“ or the „Offer“) in accordance with Article 149, Para 6 of POSA for the purchase of up to 23,690,662 shares from all other shareholders (other than those that are a party to agreements with the Offeror for a common company management policy, up to the number of shares specified in these agreements, and other that the Company itself in respect of the treasury shares held by it) of INDUSTRIAL HOLDING BULGARIA PLC („INDUSTRIAL HOLDING BULGARIA PLC“, „IH Bulgaria“ or the „Company“).

At the date of the offer and considering the shares redeemed, BULLS AD holds directly, through related parties and under agreements signed, 73,117,755 shares, representing 75.528% of the voting rights in the General Meeting of Shareholders of INDUSTRIAL HOLDING BULGARIA PLC.

On 12 August 2021, BULLS AD registered in the Financial Supervision Commission a Tender Offer under Article 149, Para 6 of POSA for the purchase of up to 23,690,662 voting shares from all other shareholders of INDUSTRIAL HOLDING BULGARIA PLC (other than those that are a party to agreements with the Offeror for a common company management policy, up to the number of shares specified in these agreements, and other that the Company itself in respect of the treasury shares held by it). By Decision # 721 – TO of 30 September 2021 the Financial Supervision Commission imposed a final ban on publishing the Tender Offer under Article 149, Para 6 of POSA, entered into by BULLS AD on 12 August 2021.

BULLS AD states that it does not hold and intends to acquire directly up to 23,690,662 ordinary, dematerialised, registered, freely transferable shares with ISIN BG1100019980, representing 24.472% of the votes in the GMS of INDUSTRIAL HOLDING BULGARIA PLC from all other shareholders of INDUSTRIAL HOLDING BULGARIA PLC (other than those that are a party to agreements with the Offeror for a common company management policy, up to the number of shares specified in these agreements, and other that the Company itself in respect of the treasury shares held by it).

PROPOSED PRICE PER SHARE

BULLS AD offers to purchase the shares of the other shareholders of INDUSTRIAL HOLDING BULGARIA PLC at a share price of BGN **2.04 (two Bulgarian leva and four stotinki)** (“The offered price”).

Pursuant to Article 150, Para 7 of POSA, the offered price per share cannot be lower than the highest value of the following:

- *the fair value of the share calculated in accordance with Ordinance N 41 of 2008 on the requirements to the content of the rationale of the prices of the shares of a listed company, including to the application of pricing methods in case of transformation, joint venture contract and commercial offering (Ordinance 41);*
- *the average weighted market price of the shares during the 6 months last preceding the registration of the Offer and respectively, before the date on which at the latest the obligation under Article 149, Para 1 or Para 6 should have been complied with, if the Tender offer has not been registered by this date and this price is higher than the average weighted market price of the shares during the 6 months last preceding the registration of the Offer;*
- *the highest price per a share paid by the Offeror, by its related persons or by the persons under Article 149, Para 2 during the 6 months last preceding the registration of the Offer, respectively before the date on which at the latest the obligation under Article 149, Para 1 or Para 6 should have been complied with, if the Tender offer has not been registered by this date and this price is higher than the highest price per share paid by the same persons in the 6 months last preceding the registration of the Offer; in cases where the share price cannot be determined in accordance with the previous sentence, it shall be determined as the higher value between the last issue value and the last price paid by the tender offeror.*

The offered price is higher than the fair value per share calculated in accordance with Ordinance No. 41 and stated in the Justification underlying the fair price as Part II of the Tender offer (BGN 2.032).

The offered price is higher than the average weighted market price per share during the 6 months last preceding the registration of the Offer (BGN 0.9972 according to information of the Bulgarian Stock Exchange (BSE)).

The offered price is higher than the highest price per share paid by the Offeror, its related persons or by the persons under Article 149, Para 2 of POSA (BGN 1.57 under a transaction concluded on 09 August 2021).

TIME LIMIT FOR ACCEPTANCE OF THE TENDER OFFER.

The time limit for acceptance of the Tender offer is 28 (twenty-eight) days after the publication date of the Tender offer and its significant terms and conditions in the specialized financial website of *Bulletin Investor.BG* (www.investor.bg/bulletin).

INTENTION OF BULLS AD REGARDING THE FUTURE ACTIVITY OF INDUSTRIAL HOLDING BULGARIA PLC AND OF BULLS AD (AS FAR AS IT IS AFFECTED BY THE OFFER) FOR A PERIOD OF THREE YEARS AFTER THE TRANSACTIONS (THE „PERIOD“).

1. TRANSFORMATION OR DISSOLUTION OF THE COMPANIES, OR FOR TRANSFERRING CONTROL

Transformation, dissolution and / or transfer of control of third parties over the two companies is/are not envisaged during the Period.

2. CHANGES IN THE AMOUNT OF THE CAPITAL OF THE COMPANIES

Changes in the capital of BULLS AD are not envisaged during the Period.

The General Meeting of Shareholders of INDUSTRIAL HOLDING BULGARIA PLC held on 29 June 2017 approved a decision to redeem treasury shares of the Company. The term of completion of the redemption is of up to 5 /five/ calendar years after the expiry of the term for redemption of treasury shares of INDUSTRIAL HOLDING BULGARIA PLC according to a previous decision of the General Meeting of Shareholders held on 17 December 2017 and supplemented on 21 June 2016, namely: as of 17 December 2017 the number of shares to be redeemed each year over a five-year period is up to 3% of the Company's registered capital for each calendar year but no more than 10% total for the entire redemption period and no more than 10% the entire capital of the Company. Redemption should be made at a minimum purchase price of BGN 0.70 per share and a maximum purchase price of BGN 1.20 per share. The appointed investment intermediary is DSK Bank AD.

As of the date of this tender offer the total number of treasury shares held is 10,592,226, representing 9.86% of company shares. The total amount of the shares redeemed is BGN 10,180 thousand. The remaining treasury shares the Company is able to acquire until the threshold of 10% is reached is 147,838 shares.

By a decision under Minutes of 11 August 2021, the Supervisory Board of INDUSTRIAL HOLDING BULGARIA PLC has decided to convene a GMS of the Company on 04 November 2021. The draft agenda of the GMS includes an item for a reduction of the capital of the Company pursuant to Article 200, Para 2 with reference to Article 201, Para 1 of the Commercial Law and Article 13 of the Articles of Association of the Company, and in compliance with the restriction of Article 111, Para 2 of POSA, by invalidating 10,592,226 shares redeemed and held by the Company, and respectively reducing the capital of the Company from BGN 107,400,643 to BGN 96,808,417, distributed in the same number of shares with a nominal value of BGN 1.

Being the majority shareholder, BULLS AD intends to support the proposal of GMS for reducing the capital through invalidating the shares redeemed. Moreover, if in view of the results of INDUSTRIAL HOLDING BULGARIA PLC and the already launched investment projects, it is considered economically feasible the redemption policy will be continued in compliance with the relevant legal procedures.

3. MAIN ACTIVITY AND FINANCIAL STRATEGY OF THE COMPANIES

No changes in the main activity and financial strategy of the two companies are envisaged during the Period.

4. CHANGES IN THE COMPOSITION OF THE MANAGEMENT BODIES, PERSONNEL AND TERMS AND CONDITIONS OF EMPLOYMENT CONTRACTS

No changes in the composition of the management bodies of the two companies are envisaged during the Period that could result from the Offer.

The Offeror does not plan to reduce or significantly increase the number of employees of INDUSTRIAL HOLDING BULGARIA PLC (including its subsidiaries) and the terms and conditions of their employment contracts during the Period. It is not expected that the tender offer will have any impact on the employees of BULLS AD during the Period.

5. THE DIVIDEND DISTRIBUTION POLICY

INDUSTRIAL HOLDING BULGARIA PLC distributes dividends in accordance with the terms and conditions provided for in POSA, the Commercial Act and the Articles of Association of the Company. The proposal for distribution and payment of dividends by the Company shall be approved by the GMS and will depend on the results achieved, as well as on the financial performance, necessary funds to ensure sufficient working capital, investments (including for the needs of the subsidiaries and the acquisition of new ones, if such an opportunity arises and it is cost-effective), redemption of treasury shares, and other factors that are considered significant.

It is not expected that the tender offer will result in any changes in the dividend policy of BULLS AD during the Period.

6. EFFECTS OF THE OFFER ON THE EMPLOYEES AND THE PLACE OF BUSINESS OF THE COMPANIES.

It is not expected that the Offer will affect the employees of INDUSTRIAL HOLDING BULGARIA PLC (including the employees of its subsidiaries) and those of BULLS AD during the Period.

No change in the place of business of INDUSTRIAL HOLDING BULGARIA PLC (including of its subsidiaries) and in that of BULLS AD is envisaged during the Period.

7. STRATEGIC PLANS OF THE OFFEROR FOR THE COMPANIES – A SUMMARY

BULLS AD is a joint stock company with the main business being the management of participations in subsidiaries and associates. The main business areas in the investment portfolio of the Company include:

- investment in INDUSTRIAL HOLDING BULGARIA PLC - being a major shareholder, BULLS AD actively participates in the development of its subsidiary, and over the years it has supported financially the Holding both in its expansion and in periods of stagnation by participating in all issues of shares for increasing the capital, all issues of convertible bonds, and / or by directly extending loans to the Group, if necessary;
- investment in REAL ESTATE DEVELOPMENT – being a sole owner of the capital BULLS AD, it determines the strategy and finances the activity of its subsidiary, which is related to the construction of an industrial logistics centre for renting out areas and other related services;
- investment in ALLIANZ BULGARIA HOLDING AD - the minority share of BULLS AD in this group, which operates in the insurance, pension insurance, banking and leasing markets, does not allow the Company to make strategic decisions and influence the direction of its activity, which is defined by the main shareholder - ALLIANZ AG, Germany. At the same time, this participation is a source of stable income in the form of dividends and enables BULLS AD to expand its activities by investing in other areas with the aim to diversify its portfolio.

The acquisition by BULLS AD of a majority share in INDUSTRIAL HOLDING BULGARIA PLC will enable BULLS AD:

- to define the strategic development of INDUSTRIAL HOLDING BULGARIA PLC;
- to participate actively in the corporate governance of INDUSTRIAL HOLDING BULGARIA PLC by implementing and applying the processes and best practices being developed and already implemented by its other business directions;
- to direct the investment policy of INDUSTRIAL HOLDING BULGARIA PLC regarding projects of the existing subsidiaries and investments in new segments (if economically feasible);
- to finance the investment activity of INDUSTRIAL HOLDING BULGARIA PLC and of its Group companies and/or to support through expertise the search and structuring of external sources of financing;
- to support operationally the large investment projects of the companies of INDUSTRIAL HOLDING BULGARIA PLC, by employing its experience in building an industrial logistics centre in Sofia;
- to support directly the activity of INDUSTRIAL HOLDING BULGARIA PLC in eventual strategic partnerships with Bulgarian and foreign contractors.

The main business areas (segments) in the investment portfolio of INDUSTRIAL HOLDING BULGARIA PLC, covered by the strategic plan, include:

- **Maritime transport:** own ships operation to transport cargo by sea;

- **Ship building and ship repair:** repairs and reconstruction of vessels; production of non-standard metal constructions for the needs of ship-building, construction and energy industries; ship design;
- **Port operations:** port services relating to processing and storage of cargo, and servicing the vessels at the time of loading and unloading operations;
- **Machine building:** production and sale of machine tools, components and parts for the machine-building and other industries; cast metals.

The portfolio includes also **other activities** (such as consulting services, supervision and inspection of vessels, and other activities), which take an immaterial share in the consolidated results.

8. SUMMARY OF THE EVALUATION DATA

		Price per share
1.1. PRICE OFFERED BY THE TENDER OFFEROR		BGN 2.04
1.2. CALCULATED FAIR PRICE		BGN 2.032
1.3. VALUE PER SHARE ACCORDING TO THE VALUATION METHODS USED		
METHOD	WEIGHT	VALUE PER SHARE
FCFF	40%	BGN 1.832
NET ASSETS' VALUE	30%	BGN 3.287
MARKET MULTIPLIERS	30%	BGN 3.210
VALUE PER SHARE CALCULATED BY APPLYING THE VARIOUS VALUATION METHODS	100%	BGN 2.682
VALUE PER SHARE CALCULATED BY APPLYING THE VARIOUS VALUATION METHODS	50%	BGN 2.682
AVERAGE WEIGHTED PRICE DURING THE SIX MONTHS LAST PRECEDING THE DATE OF THE JUSTIFICATION	50%	BGN 0.9499
FAIR VALUE PER SHARE IN ACCORDANCE WITH ARTICLE 5 OF ORDINANCE 41, IN BGN	100%	BGN 1.816
LIQUIDATION PRICE PER SHARE, IN BGN		BGN 2.032

Although INDUSTRIAL HOLDING BULGARIA PLC is not in the process of liquidation or in insolvency proceedings, there are some of the circumstances referred to in Article 6, Para. 3 of Ordinance 41 of the FSC; therefore, the Trade Offeror has assigned valuation of the Company's shares under the liquidation value method in accordance with the requirements of Section V of the same Ordinance. The valuation has been prepared by ADVANCE EXPERT VALUATIONS OOD. The liquidation value of a share of INDUSTRIAL HOLDING BULGARIA PLC, assessed by the independent valuer for the purposes of the Tender Offer is equal to BGN 2.032. Insofar as the calculated liquidation value of one share is higher than the price determined according to the procedure of Article 5 of Ordinance 41 and indicated in Section 8 of the Fair Price Justification as part II of the Tender Offer, then according to Article 6, Para 1, item 1 of Ordinance 41 the fair price per share of INDUSTRIAL HOLDING BULGARIA AD is equal to the liquidation value of one share, ie BGN 2,032.

With the aim to facilitate the minority shareholders in making the calculation and trying to avoid any losses for them due to rounding off the numbers, the price offered by the Tender Offeror of BGN 2.04 is equal to the fair price per share, indicated above, rounded off to the second decimal place.

1.4. AMOUNT OF NON-OPERATIONAL ASSETS

The carrying amount of the non-operational assets of the Company as of the date of the last published non-audited consolidated financial statements (30 June 2021) is BGN 1,156 thousand. For more details, see item 2.2.1. Total amount of assets and liabilities of the Fair Price Justification as part II of the Tender Offer.

1.5. AVERAGE WEIGHTED MARKET PRICE FOR THE LAST 6 MONTHS AND OTHER INFORMATION

No	INDICATOR	AMOUNT
1.5.1	PLACE OF TRADING WITH THE LARGEST NUMBER OF THE TRADED SHARES	BSE
1.5.2	SIX-MONTH PERIOD PRECEDING THE DATE OF REGISTRATION OF THE OFFER (PERIOD 1), DATES	13/04/2021 - 13/10/2021
1.5.3	AVERAGE WEIGHTED PRICE PER SHARE FOR PERIOD 1, BGN	BGN 0.9972
1.5.4	SIX-MONTH PERIOD PRECEDING THE DATE OF THE JUSTIFICATION (PERIOD 2), DATES	10/02/2021 - 10/08/2021
1.5.5	NUMBER OF SHARES TRADED DURING PERIOD 2	19 294 353
1.5.6	AVERAGE WEIGHTED PRICE PER SHARE FOR PERIOD 2, BGN	BGN 0.9499
1.5.7	THE HIGHEST PRICE PER SHARE PAID BY THE OFFEROR, ITS RELATED PERSONS AND/OR THE PERSONS UNDER ARTICLE 149, PARA 2 OF POSA DURING PERIOD 1	BGN 1.5700
1.5.8	LATEST ISSUE VALUE	-
1.5.9	DATE OF REGISTRATION OF THE LATEST ISSUE VALUE IN THE REGISTER KEPT BY FSC	22/05/2018

**Regarding the period before the date of the Justification, see the explanations under item 1.6. herein below.*

1.6. The shares of INDUSTRIAL HOLDING BULGARIA PLC are „actively traded shares“ within the meaning of §1, item 1 of the Additional Provisions of Ordinance no. 41 and therefore, the average weighed market price of these shares has been used in calculating their fair value in compliance with the requirements of Article 5, Para 1 of Ordinance no 41. The offeror has used the option provided for in Article 5, Para 2 of Ordinance 41 and considered the weighted average price of all transactions for the last six months, which has been used in the Justification of the previous Tender Offer, on the publication of which the Commission has imposed a final ban, namely for the period 10 February 2021 – 10 August 2021. For more details and data proving the existence of an active trade, see Section 7 of the Fair Value Justification as part II of the Tender Offer.

1.7. During the 12 months last preceding the date of the Justification, an independent public valuer has not valued the Company nor such valuation has been announced publicly.

A valuation of the Company was prepared by an independent valuer for the purposes of the previous Tender Offer, on the publication of which the FSC has imposed a final ban.

1.8. The Financial Supervision Commission (FSC) has not approved or refused to approve, as the case may be, the fair value of the shares, and takes no responsibility for the accuracy and completeness of the data contained in the Tender Offer.

1.9. The Justification of the fair value was made as of 12 October 2021 and is valid until the deadline for acceptance of the Tender offer.

1.10. The Tender offeror considers that there is no other material information on the shares and their prices, other than that provided in the Tender Offer.