



ИНДУСТРИАЛЕН ХОЛДИНГ **БЪЛГАРИЯ**

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

30 September 2021

INDUSTRIAL HOLDING BULGARIA PLC
Public notification for financial position on a consolidated basis
For the period ended 30 September 2021

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 30 September 2021. The company has a two-tier system of governance, comprising Supervisory Board and Management Board.

As at 30 September 2021, Industrial Holding Bulgaria PLC has 10 direct subsidiaries (31 December 2020: 10), no associates (31 December 2020: Nil), and 10 indirect subsidiaries (31 December 2020: 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.

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 income statement

For the period ended 30 September 2021

<i>BGN'000</i>	30 September 2021	30 September 2020
Revenue	90,759	65,524
Other operating income	3,670	1,778
	94,429	67,302
Change in stock of work in progress and finished products	135	245
Costs of acquisition and development of assets' self-construction	670	902
Costs of materials	(21,762)	(19,896)
Costs of hired services	(14,157)	(11,829)
Depreciation / amortization expenses	(9,579)	(10,460)
Costs of personnel	(21,034)	(21,053)
Other operating expenses	(1,334)	(10,104)
Operating profit	27,368	(4,893)
Finance income	4,513	-
Finance costs	(816)	(1,947)
Profit before tax	31,065	(6,840)
Income tax expense	(837)	(876)
Profit for the year	30,228	(7,716)
Attributable to:		
Equity holders of the parent	29,954	(8,017)
Non-controlling interests	274	301

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Consolidated statement of financial position

As at 30 September 2021

BGN'000

	30 September 2021	31 December 2020
Assets		
Non – current assets		
Property, plant and equipment	312,815	309,812
Intangible assets	2,448	2,461
Goodwill	9,130	9,130
Investment property	13,249	13,226
Right-of-use assets	1,300	1,536
Differed tax asset	44	66
Trade and other receivables	20	24
Total non-current assets	339,006	336,255
Current assets		
Inventories	16,993	16,897
Trade and other receivables	10,575	7,481
Contract assets	593	1,023
Income tax receivable	-	13
Cash and cash equivalents	14,341	6,942
Total current assets	42,502	32,356
Assets classified as held for sale	1,156	1,157
TOTAL ASSETS	382,664	369,768

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Consolidated statement of financial position

As at 30 September 2021

(continued)

BGN'000

	30 September 2021	31 December 2020
Equity		
Share capital	107,400	107,400
Share premium	30,604	30,604
Treasury shares redeemed	(10,180)	(8,668)
Other reserves	84,994	84,690
Reserve from foreign exchange translation of foreign operations	13,893	11,597
Retained earnings	105,848	75,971
	<u>332,559</u>	<u>301,594</u>
Non-controlling interest	2,127	2,258
Total equity	<u>334,686</u>	<u>303,852</u>
Liabilities		
Non-current liabilities		
Interest-bearing loans and other borrowings	8,892	17,610
Loans from related parties	-	2,437
Lease liabilities	1,024	1,259
Derivative financial liability	16	123
Trade and other payables	77	146
Financing	1,289	1,371
Retirement benefit liabilities	615	804
Deferred tax liabilities	10,647	10,563
Total non-current liabilities	<u>22,560</u>	<u>34,313</u>
Current liabilities		
Interest-bearing loans and other borrowings	11,466	11,456
Loans from related parties	157	2,567
Lease liabilities	307	306
Derivative financial liability	153	282
Trade and other payables	7,828	13,200
Contract liabilities	4,683	3,334
Provisions	13	250
Financing	109	109
Income tax liability	702	99
Total current liabilities	<u>25,418</u>	<u>31,603</u>
Total liabilities	<u>47,978</u>	<u>65,916</u>
TOTAL EQUITY AND LIABILITIES	<u>382,664</u>	<u>369,768</u>

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Consolidated statement of cash flows

For the period ended 30 September 2021

BGN'000

	30 September 2021	30 September 2020
<i>Operating activity</i>		
Proceeds from customers	100,288	64,394
Payments to suppliers	(49,370)	(34,976)
Staff remuneration related payments	(20,839)	(21,391)
Corporate income taxes paid	(152)	(162)
Other taxes refunded /(paid)	1,276	250
Foreign currency differences	71	32
Financing received	3,073	1,057
Other payments	(5,643)	(1,099)
Net cash flows from operating activity	28,704	8,105
<i>Investing activity</i>		
Proceeds on sale of property, plant and equipment	41	39
Payments on the acquisition of fixed assets and assets' self-construction	(4,105)	(2,298)
Net cash flows used in investing activity	(4,064)	(2,259)
<i>Financing activity</i>		
Payments on redemption of treasury shares	(1,512)	(1,575)
Interest-bearing loans and other borrowings received	3,422	5,961
Interest-bearing loans and other borrowings paid	(17,884)	(11,588)
Lease liabilities paid	(229)	(254)
Dividends paid	(315)	(569)
Interest paid on loans and borrowings	(401)	(735)
Interest paid on leases	(17)	(24)
Charges and commission fees paid on loans and other borrowings	(20)	(21)
Amounts paid on an interest rate swap contract	(284)	(254)
Other payments	(120)	(103)
Net cash flows used in financing activity	(17,360)	(9,162)
Net increase / (decrease) in cash and cash equivalents	7,280	(3,316)
Cash and cash equivalents on 1 January	6,942	7,542
Foreign exchange translation effects	119	(204)
Cash and cash equivalents on 30 September	14,341	4,022

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Consolidated statement of changes in equity

For the period ended 30 September 2021

<i>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	Reserve from foreign exchange translation of foreign operations	Cash flows hedge reserve				Retained earnings
At 1 January 2021	107,400	30,604	(8,668)	4,974	80,015	11,597	(299)	75,971	301,594	2,258	303,852
Total comprehensive income for the period											
Profit for the period	-	-	-	-	-	-	-	29,954	29,954	274	30,228
Other comprehensive income for the period	-	-	-	-	-	2,296	227	-	2,523	-	2,523
Total comprehensive income for the period	-	-	-	-	-	2,296	227	29,954	32,477	274	32,751
Transactions with shareholders recognised in equity											
Profit distribution to reserve	-	-	-	150	-	-	-	(150)	-	-	-
Dividends distributed	-	-	-	-	-	-	-	-	-	(405)	(405)
Treasury shares redeemed	-	-	(1,512)	-	-	-	-	-	(1,512)	-	(1,512)
Share acquisition	-	-	-	-	-	-	-	-	-	-	-
Liquidation quota distribution	-	-	-	-	-	-	-	-	-	-	-
Total transactions with shareholders	-	-	(1,512)	150	-	-	-	(150)	(1,512)	(405)	(1,917)
Transfer of revaluation reserve of assets sold to retained earnings	-	-	-	-	(73)	-	-	73	-	-	-
At 30 September 2021	107,400	30,604	(10,180)	5,124	79,942	13,893	(72)	105,848	332,559	2,127	334,686

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Consolidated statement of changes in equity

For the period ended 30 September 2020

<i>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	Reserve from foreign exchange translation of foreign operations	Cash flows hedge reserve				Retained earnings
At 1 January 2021	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 period											
Profit for the period	-	-	-	-	-	-	-	(8,017)	(8,017)	301	(7,716)
Other comprehensive income for the period	-	-	-	-	-	(4,521)	(90)	-	(4,611)	-	(4,611)
Total comprehensive income for the period	-	-	-	-	-	(4,521)	(90)	(8,017)	(12,628)	301	(12,327)
Transactions with shareholders recognised in equity											
Profit distribution to reserve	-	-	-	131	-	-	-	(131)	-	-	-
Dividends distributed	-	-	-	-	-	-	-	-	-	(655)	(655)
Treasury shares redeemed	-	-	(1,575)	-	-	-	-	-	(1,575)	-	(1,575)
Share acquisition	-	-	-	-	-	-	-	-	-	49	49
Liquidation quota distribution	-	-	(1,575)	131	-	-	-	(131)	(1,575)	(606)	(2,181)
Total transactions with shareholders	-	-	-	-	(16)	-	-	16	-	-	-
Transfer of revaluation reserve of assets sold to retained earnings	107,400	30,604	(8,111)	4,974	80,124	15,557	(443)	80,038	310,143	2,191	312,334
At 30 September 2020											

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Revenue

<i>BGN'000</i>	30 September 2021	30 September 2020
Revenue from manufacture of metal-cutting machines, components and details	23,671	19,041
Revenue from cargo transportation under voyage charter contracts	26,299	14,206
Revenue from time-charter contracts	17,843	8,504
Revenue from repair and reconstruction of ships	9,860	7,940
Revenue from manufacture of metal structures	-	194
Revenue from designer's services	1,817	2,743
Revenue from cargo processing	6,723	6,423
Revenue from cargo storage	1,015	1,041
Quay rentals	541	1,275
Property rentals	1,556	1,590
Revenue from other services	1,434	2,567
	<u>90,759</u>	<u>65,524</u>

The Group's total revenue for the first nine months of 2021 has increased considerably compared to the revenue reported for the same period of 2020. Their dynamics are primarily due to:

- Ship charter revenue is increasing thanks to a significant increase in freight levels that have reached their highest levels in 10 years. The depreciation of the US dollar in the first nine months of 2021 compared to the same period in 2020 has had an opposite effect thereon;
- The volume of revenue from sales of metal-cutting machines, components and spare parts increases as a result of the recovery of investment activity observed worldwide;
- Revenue from ship repairs in the first nine months of 2021 is also increasing as a result of the improvement of the economic environment and the introduction of rules and procedures for working in a pandemic, despite the negative impact of the high freight market;
- The decrease in revenue from design services is mainly due to the low levels of orders for new shipbuilding, supported by high freight levels and uncertainties about the fuels that ships will be able to use in the future;
- Revenue from other services in the first nine months of 2020 includes revenue from a one-time service of loading of specific ship equipment in the shipbuilding and ship repair sector.

Other operating income

<i>BGN'000</i>	30 September 2021	30 September 2020
Income from financing	2,612	1,163
Gain on sale of materials and scrap	753	243
Gain on sale of fixed assets and assets classified as held for sale	74	38
Provisions reversed	7	119
Other income	224	215
	<u>3,670</u>	<u>1,778</u>

Income from financing of BGN 2,612 thousand reported as at 30 September 2021 include income of BGN 2,530 thousand (01 January 2020 – 30 September 2020: BGN 1,081 thousand) received under the Employment Protection Program of the Employment Agency aimed to support businesses and reduce negative impact of COVID-19.

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Costs of materials

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	30 September 2021	30 September 2020
Main materials	(11,233)	(8,092)
Fuel used un ships	(5,536)	(6,481)
Auxiliary materials	(1,910)	(1,985)
Electric power	(1,548)	(1,125)
Spare parts	(1,063)	(1,763)
Other materials	(472)	(450)
	(21,762)	(19,896)

The decrease in fuel consumption in the operation of ships during the first nine months of 2021 is a result of the Group being operating one ship less compared to the first nine months of 2020.

Costs of hired services

BGN'000

	30 September 2021	30 September 2020
Services of subcontractors	(4,262)	(3,434)
Port-related expenses	(4,764)	(3,160)
Insurances	(1,001)	(1,121)
Repairs	(675)	(791)
Agency services	(665)	(359)
Security	(637)	(602)
Civil contracts	(283)	(316)
Software maintenance on subscription	(264)	(373)
Other services	(1,606)	(1,673)
	(14,157)	(11,829)

The increase in the subcontractors' services in the first nine months of 2021 is mainly due to the increased volume of work of the companies operating in the field of ship repair compared to the first nine months of 2020.

Port costs in the first nine months of 2021 have increased due to the to the different price levels of services applied by the loading and unloading ports, as well as the different routes of ships compared to the first nine months of 2020.

Costs of personnel

BGN'000

	30 September 2021	30 September 2020
Salaries	(16,433)	(16,654)
Compulsory social insurance	(2,626)	(2,463)
Management contracts	(1,119)	(1,092)
Compulsory social and health insurance on management contracts	(79)	(83)
Other personnel costs	(777)	(761)
	(21,034)	(21,053)

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Other operating expenses

<i>BGN'000</i>	30 September 2021	30 September 2020
Business trips and replacement of crew	(483)	(508)
Local taxes and charges, tax on expenses	(476)	(518)
Provisions utilised	235	-
Impairment	(240)	(8,803)
Other expenses	(370)	(275)
	(1,334)	(10,104)

An impairment loss of BGN 8,803 thousand on fixed assets (ships) of the Maritime Transport segment had been reported over the period from January 2020 to September 2020.

Finance income and finance costs for the reporting period:

<i>BGN'000</i>	30 September 2021	30 September 2020
<i>Finance income</i>		
Foreign currency gains, net	4,509	-
Other finance income	4	-
	4,513	-
<i>Finance costs</i>		
Interest expenses	(697)	(1,055)
Foreign currency losses, net	-	(780)
Other finance costs	(119)	(112)
	(816)	(1,947)

Foreign currency differences of BGN 2,837 thousand arising from the completed liquidation of Emona Ltd. upon conversion of assets and liabilities of the company reported as a component of other comprehensive income have been reclassified in the income statement for 2021.

Interest expenses

<i>BGN'000</i>	30 September 2021	30 September 2020
Interest expenses on bank loans received	(352)	(598)
Interest expenses on loans from related parties	(31)	(165)
Interest expenses on interest rate swap	(297)	(268)
Interest expenses on lease liabilities	(17)	(24)
	(697)	(1,055)

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Bank loans

Long-term

BGN'000

	Currency	Interest rate, %	Maturity	30 September 2021	31 December 2020
Contract for the provision of a credit limit for issuance of bank guarantees and working capital financing number 319 of 30 November 2006	BGN	1 M EURIBOR +1.6%	2021	705	1,561
Syndicated bank loan agreement of 20 December 2011 – long-term portion	USD	1 M LIBOR + 1.59%	2022	5,183	9,972
Bank loan agreement number 16 of 27 March 2018 - long-term portion	EUR	1.9%	2023	2,281	5,215
Bank loan agreement number 19F-002296 of 08 October 2019 - long-term portion	EUR	1.6%	2026	723	862
				8,892	17,610

Short-term

BGN'000

	Currency	Interest rate, %	Maturity	30 September 2021	31 December 2020
Syndicated bank loan agreement of 20 December 2011 – short-term portion	USD	1 M LIBOR + 1.59%	2022	5,663	7,353
Bank loan agreement number 16 of 27 March 2018 - short-term portion	EUR	1.9%	2023	3,590	3,917
Bank loan agreement number 19F-002296 of 08 October 2019 - short-term portion	EUR	1.6%	2026	186	186
Framework contract for the provision of a revolving credit limit number 48272 of 24 November 2020 – short-term portion	USD	1 M LIBOR + 1.65%	2022	2,027	-
				11,466	11,456

In March 2021, the Group renegotiated the terms and conditions of a Syndicated bank loan of 20 December 2011, as six of the instalments due for 2021 had been deferred and transferred to the last repayment instalment the fixed interest margin was increased from 1.5% to 1.59%. The nominal contingent principal of the interest rate swap transaction concluded for the purpose of hedging the interest rate on this loan had been changes and the fixed interest rate on the swap was reduced from 2.60% to 2.07%. In October, the Group's liabilities under the Syndicated bank loan of 20 December 2011 and the associated interest rate swap were early and fully repaid.

In November 2020, the Group signed a framework agreement number 48272 of 24 November 2020 to provide a revolving credit limit for loans, bank guarantees and letters of credit totalling USD 3,000 thousand to facilitate the needs of the companies - shipowners and the management company from the Maritime Transport segment. The sub-limit for utilisation in the form of loans is USD 2,000 thousand. The term of the framework agreement matures is until November 2025. The contract is secured by a sea mortgage on one of the Group's ships.

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In January 2021, the Group utilized USD 2,000 thousand under this framework agreement for the purpose of settling claims for incorrectly delivered cargo by m/v Dimond Sky. The loan term matures in September 2022 and is to be repaid in equal instalments as of February 2021. The interest rate under the contract is 1M LIBOR plus a 1.65% margin. In October 2021, the utilized limit was early and fully repaid.

The bank loans are secured by mortgages on land, buildings and transport vehicles (ships), and registered pledges on plant and equipment owned by Group companies with total carrying amount as at 30 September 2021 of BGN 217,758 thousand (31 December 2020: BGN 216,325 thousand). In addition, KRZ Port Bourgas AD has been pledged as an entity. The carrying amount as at 30 September 2021 of the assets pledged as collateral on the syndicated bank loan, early repaid in October, is BGN 137,454 thousand.

At 30 September 2021, the liabilities on bank loans from related parties amounted to BGN 12,873 thousand (2020: BGN 17,325 thousand). These loans, as discussed above, were fully and early repaid in October 2021. Further details are provided in the Related Party Transactions section.

At 30 September 2021, the Group's unutilised limits in the form of a credit line for working capital financing under bank loans concluded amounted to BGN 4,795 thousand pursuant to Contract 319 dated 30 November 2006.

Share capital - registered

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

<i>BGN'000</i>	30 September 2021	31 December 2020
107,400,643 ordinary shares with nominal amount of BGN 1 each	<u>107,400</u>	<u>107,400</u>
	<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.

On 18 November 2021, the General Meeting of Shareholders of Industrial Holding Bulgaria PLC took a decision to reduce the capital of the Company from BGN 107,400,643 to BGN 96,808,417 by invalidating 10,592,226 redeemed treasury shares.

Shareholders

The shareholders of Industrial Holding Bulgaria PLC holding more than 5% of the company's capital as of 30 September 2021 are as follows:

<i>Shareholder</i>	Number of shares as at 30 September 2021	30 September 2021
BULLS AD	60,486,788	56.32%
DZH AD	9,657,874	8.99%
Industrial Holding Bulgaria PLC (redeemed treasury shares)	10,592,226	9.86%
Others	<u>26,663,755</u>	<u>24.83%</u>
	<u>107,400,643</u>	<u>100.00%</u>

On 02 July 2021, Industrial Holding Bulgaria PLC received from Bulls AD a Tender offer under Article 149b, Para 1 of POSA for the purchase of up to 25,000,000 shares, but not less than 15,800,000 shares. On 03 August 2021, the Company was informed that as a result of the Tender offer Bulls AD had acquired 22,878,667 shares.

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On 9 August 2021, Bulls AD concluded 3 agreements (with DZH AD, Stock Tours AD and Tunisian EOOD) for the implementation of a common company management policy through a joint exercise of the voting rights held by these three legal entities attached to 12,589,069 shares in total, representing 11.72 % of the capital of Industrial Holding Bulgaria PLC, with the way of implementation being determined by Bulls AD. As a result, Bulls AD is able to determine the manner of exercising the voting rights over 73,075,857 shares in total, representing 68.04% of the capital.

On 14 October 2021, Industrial Holding Bulgaria PLC received a notification from Bulls AD for a Tender offer under Article 149b, Para 1 of POSA submitted to the Financial Supervision Commission for the purchase of up to 23,690,662 shares from all other shareholders (other than those that are a party to the agreements with Bulls AD for a common 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 Protocol 84 of 11 November 2021 the Financial Supervision Commission has not actually issued a final ban on the tender offer. On 12 November 2021, Bulls AD published the tender offer offering a price of BGN 2.08 per share. The deadline for its approval expires on 10 December 2021. The selected investment intermediary on the tender offer is the investment intermediary Elana Trading.

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 – 30 September 2021, 1,518,758 shares for the total amount of BGN 1,512 thousand were bought up. The number of the treasury shares redeemed as at 30 September 2021 is 10,592,226 shares of BGN 10,180 thousand. Pursuant to article 187a, paragraph 3 of the Commercial Act, the voting right attached to these shares has been suspended until their transfer.

By decision of the General Meeting of Shareholders of Industrial Holding Bulgaria PLC of 18 November 2021, the then effective procedure for buying back treasury shares was terminated. At the same time, a new procedure was initiated with the following parameters:

- Number of shares to be redeemed each year for a period of five years - up to 3% of the registered capital of the Company for each calendar year, but not more than 10% in total for the entire redemption period and not more than 10% of the entire capital of the Company;
- Minimum amount of the purchase price - BGN 1.00 per share;
- Maximum amount of the purchase price - BGN 3.00 per share.

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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	
		30 September 2021	31 December 2020
		%	%
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 EAD	Bulgaria	100.00	100.00
IHB Electric AD (obliterated from the Register)	Bulgaria	-	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 (in liquidation)	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	51.00	51.00

On 22 January 2021 the General Meeting of Shareholders of IHB Electric AD (obliterated from the Register) approved the results of the distribution of the company's property after the completion of the liquidation process and preparation of the closing liquidation balance sheet as of 30 November 2020, and took a decision to obliterate it from the Register. On 02 February 2021, the name of the company was obliterated from the Commercial Register at the Registry Agency.

The name of Emona Ltd was obliterated from the Commercial Register on 31 May 2021, following the sale of the main asset of the company at the end of 2020, namely m / v Emona.

In November 2021, the General Meeting of Shareholders of IHB 3 Design AD took a decision to initiate a voluntary liquidation of the company.

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Related party disclosures

The Groups is a related party with the following persons in accordance with the definitions of IAS 24:

I. Persons exercising control

- Bulls AD, a company that holds directly 56.32% в Industrial Holding Bulgaria PLC.
Bulls AD has concluded agreements with other shareholders to follow a common management policy through exercising jointly the voting rights on 12,589,069 shares in total, representing 11.72% of the capital of Industrial Holding Bulgaria PLC, with the manner of exercising the voting rights being determined by Bulls AD;
- Dimitar Zhelev, a person exercising control over Bulls AD and husband of Daneta Zheleva, the Chief Executive Officer of Industrial Holding Bulgaria PLC.

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

IV. Entities, over which the persons that have control also exercise significant influence or are members of their key management personnel

Related party transactions

Trade and other receivables from related parties

BGN'000

Entities, over which the persons that have control exercise also significant influence or are members of their key management personnel

	30 September 2021	31 December 2020
	<u>10</u>	<u>5</u>
	<u>10</u>	<u>5</u>

Cash with banks – related parties

BGN'000

Entities, over which the persons that have control exercise also significant influence or are members of their key management personnel

	30 September 2021	31 December 2020
	<u>10,425</u>	<u>4,489</u>
	<u>10,425</u>	<u>4,489</u>

Interest-bearing loans and borrowings from banks – related parties

BGN'000

Entities, over which the persons that have control exercise also significant influence or are members of their key management personnel

	30 September 2021	31 December 2020
	<u>12,873</u>	<u>17,325</u>
	<u>12,873</u>	<u>17,325</u>

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Loans from related parties (including interest)

BGN'000

	30 September 2021	31 December 2020
Persons exercising control	157	5,004
	157	5,004
Long-term portion	-	2,437
Short-term portion	157	2,567
Principal	157	4,989
Interest	-	15

Trade and other payables to related parties

BGN'000

	30 September 2021	31 December 2020
Entities, over which the persons that have control exercise also significant influence or are members of their key management personnel	9	9
	9	9

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

BGN'000

	30 September 2021	31 December 2020
Entities, over which the persons that have control exercise also significant influence or are members of their key management personnel	169	405
	169	405

Interest expenses accrued over the period 01 January 2021 – 30 September 2021 under the interest rate swap contract with a bank - related party amount to BGN 297 thousand (01 January 2020 – 30 September 2020: BGN 268 thousand), and interest paid amounts to BGN 284 thousand (01 January 2020 – 30 September 2020: BGN 254 thousand).

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Sales transactions

<i>BGN'000</i>	Transaction type	30 September 2021	30 September 2020
Persons exercising control	Rental income	1	1
		1	1
Entities under common control of the persons exercising control	Sales of services	-	9
	Rental income	4	9
	Other sales	-	12
		4	30
Entities, over which the persons that have control exercise also significant influence or are members of their key management personnel	Sales of services	30	37
	Rental income	62	62
	Other sales	3	2
		95	101
		100	132

Purchase transactions

<i>BGN'000</i>	Transaction type	30 September 2021	30 September 2020
Entities under common control of the persons exercising control	Purchase of materials	-	3
	Purchase of services	-	2
		-	5
Entities, over which the persons that have control exercise also significant influence or are members of their key management personnel	Purchase of hired services	450	505
	Other finance costs	393	86
		543	591
		543	596

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

<i>BGN'000</i>		<u>Amounts received</u>	<u>Principal paid</u>	<u>Interest expenses</u>	<u>Interest paid</u>
Entities, over which the persons that have control exercise also significant influence or are members of their key management personnel	30 September 2021	3,217	(8,574)	(222)	(231)
Entities, over which the persons that have control exercise also significant influence or are members of their key management personnel	30 September 2020	-	(3,591)	(407)	(445)
	30 September 2021	3,217	(8,574)	(222)	(231)
	30 September 2020	-	(3,591)	(407)	(445)

Movements of loans from related parties

<i>BGN'000</i>		<u>Amounts received</u>	<u>Principal paid</u>	<u>Interest expenses</u>	<u>Interest paid</u>
Persons exercising control	30 September 2021	-	(4,850)	(31)	(39)
Entities under common control of the persons exercising control	30 September 2021	-	-	-	-
Persons exercising control	30 September 2020	3,319	(3,633)	(164)	(97)
Entities under common control of the persons exercising control	30 September 2020	1,722	(1,220)	(1)	-
	30 September 2021	-	(4,850)	(31)	(39)
	30 September 2020	5,041	(4,853)	(165)	(97)

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 30 September 2021 (31 December 2020: 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, Bulyard Shippbuilding Industry AD 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 actions performed. The case is pending and the arbitration court has issued an order to secure the legal costs of the claim by the parties. The relevant arbitration hearings and pleadings were held in November, and the case is announced for judgement.

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 30 September 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);
- no letters of credit were issued (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 30 September 2021, the amount utilised by the subsidiary KRZ Port Burgas is BGN 135 thousand and by ZMM Nova Zagora AD – BGN 570 thousand, respectively.

As of 30 September 2021, the unutilized limit under this contract for provision of a credit limit amounted to BGN 4,795 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 November 2020, in connection with Framework agreement to provide a revolving credit limit for loans number 48272 of 24 November 2020, bank guarantees and letters of credit totalling to USD 3,000 thousand, the company-borrower and the company-co-borrower under the framework agreement concluded financial collateral agreements through a pledge of cash receivables on all their accounts with the bank-creditor in the amount of the loan liability for the time being.

In 2019, in connection with Bank loan contract number 19F-002296 of 08 October 2019 received for the purpose of financing the construction of a photovoltaic power plant, the company-borrower under the loan signed a financial collateral agreement through a pledge of receivables over all its accounts with the bank-creditor in the amount of the loan liability for the time being. In 2020, the company-co-borrower under the loan also signed a financial collateral agreement.

In 2018, in connection with Bank loan contract number 16 of 27 March 2018 concluded for the purpose to finance partially 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 the amount of the loan liability for the time being.

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Non-systematic Group specific risks

Risks associated with the holding structure and 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, ship design, maritime transport, classification and certification, port activity), thus reducing the level of return of the overall investment portfolio.

Risks arising from pandemics and epidemics

Globalization worldwide and the 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, limits and pose difficulties on the supply chain, and has an adverse impact on all economic agents. The development of the pandemic and possible extension / reduction of restrictive measures in individual countries are risks that can lead to both improvement and deterioration of the external environment.

The high incidence of COVID-19 in Bulgaria at the moment and the low rate of vaccinated people create a number of difficulties in the implementation of the main business processes of the Holding and its subsidiaries. They are, on the one hand, due to key workers getting sick and / or being placed under quarantine at the same time, as well as to the need for key personnel to work remotely, predetermined by reasons to preserve health or the need to take care for children or other family members. On the other hand, Bulgaria's entry into the red COVID zone has a negative impact on trading partners in making their purchase decisions (eg in the shipbuilding and ship repair sectors).

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

The state of the global economy and demand for raw materials underpin the development of trade. Of all segments 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
- increased environmental restrictions – the introduction of new eco-norms and directives against environmental pollution and for energy savings for vessels imposes mandatory reconstructions of vessels to comply with regulations, shortens the time of operation of ships, and make their operation more expensive;
- 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, the risk of fraud and abuse increases, including that related to cyber-attacks, unscrupulous trade practices, bankruptcies of contractors, etc.

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 pressure on phasing out the use of traditional energy sources (such as oil or gas) is growing worldwide, which for the Group has its strongest impact on maritime transport. Restrictive duties are being introduced on imports of raw materials from countries that do not follow the European Union's environmental policies.

The Group's policy is to comply with all regulatory obligations in the area of ecology, 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.

Risk related to the prices of basic raw materials, materials and energy sources

This risk results from changes in the prices of raw materials, materials and various energy sources being used. The rise in prices has an extremely unfavourable effect on the results of manufacturing companies operating in metal-intensive and energy-absorbing segments, such as machine building, shipbuilding and ship repair. Maritime transport is highly dependent on the prices of fuels, which are a commodity. The impact of changes in the market price of electric energy is similar, as the electric energy is subject to international supply and demand and is determined by factors beyond the control of management. For several years now, the supply of electric energy has been negotiated at a Group level on the open market.

Since the beginning of 2021, the level of this risk has been high. Gas, electricity and heat prices have already risen sharply across Europe. The price jump cannot be transferred directly to the end customers and will significantly affect the profitability of the products and services offered by the Group.

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Risk caused by disrupted supply chains

The risk of further increases in international prices of raw materials and goods is increasing more and more due to broken supply chains. It is difficult to determine what part of inflation is due to the recovery of demand after easing the restrictive measures and what to the problems with supplies caused by congested ports and the shortage of raw materials and workers. The problems of disruption of global chains for the production and supply of goods and raw materials feed inflation at a rapid pace and confront central banks with a new problem. Rising interest rates will affect demand, which has driven the world out of last year's recession, but will not help much with supply problems. If the shortage then eases and trade returns to normal, the policy may appear too restrictive and halt the recovery. However, if banks refrain from action and supply problems continue, expectations of higher inflation may increase, which will force companies to raise wages and prices, and could result in rapid interest rate hikes and tighter fiscal conditions.

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 not only a capacity crunch. The lasting trend of declining and aging population in our country naturally reduces people of working age, including that of the low-skilled. 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.). Vaccination requirements in Europe and the world as a prerequisite for many economic activities are putting additional pressure. The most affected segments are that of machine building, maritime transport, and ship repair segments. 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 due to the COVID-19 implication. 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. 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 one currently effective. The Group is currently exposed to currency risk from changes in the exchange rate of the US Dollar in relation to the free cash flows generated by maritime transport. The increase in the revenue share from foreign ships in total sales strengthens the impact of this 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. Rising inflation in 2021 could lead to a change in Central Banks' policies to increase interest rates and impose tighter fiscal conditions.

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

In the third quarter as well, the shipping market has maintained its high growth reported since the beginning of 2021. The demand for ship tonnage continued and freight levels rose significantly, reaching their highest levels for ten years. The main impetus for the restart of maritime transport was given by the recovery of the global economy, accompanied by the need to supply of many and different goods, most of whose stocks are at record low levels or even depleted. Congestion in many ports has blocked part of the available ship tonnage and as a result price levels have risen. Complicated relations between some countries have changed cargo flows and forced deliveries from more distant destinations with smaller vessels. All these factors contributed to the segment achieving high positive results.

Despite the rise in the price of scrap metal, the cutting of old vessels and reduction of tonnage in operation continues at a slow pace and volume, as many owners try to make the most of market demand and high freight before scraping their old ships. This has a negative impact on orders for new vessels, which remain at record lows. The impact of the serious rise in the prices of steel, fuels and the ever-increasing environmental requirements towards new ships are similar and require higher investments in acquisitions. At the same time, there is no foreseeable horizon in which the owners of the new vessels will be able to operate them without making additional costs for compliance with regulatory changes and restrictions. Moreover, the concept of environmentally friendly marine fuel in view of the new regulations is not clear.

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It is expected that the market will continue to maintain high levels of freight throughout the current year, supported by incentives from many countries, which have increased the volume of all types of cargo. The future of shipping 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 Group's ships sail with Bulgarian crews, the recruitment of which is a serious problem due to the convertible nature of their professions and the limited number of qualified staff.

The profitability of this segment of the Group's portfolio is influenced by the existing conventions for ballast water treatment, which are being implemented in stages. After the two ships from the fleet of IHB - m / v Karvuna and m / v Anteya, in September 2021 a ballast system was installed on m / v Diamond Sea as well. The m / v Diamond Sky will cover the new environmental standards in its upcoming class renovation scheduled for 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. 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 will be assessed, as well as possible solutions to comply therewith.

Ship building and ship repair

The expectations for business recovery in 2021 were conditioned primarily by the need for the ship repairs, postponed due to the pandemic, to be carried out so that the vessels could continue operating. Following this trend, orders gradually recovered in the first months of the year. However, the high freight levels in shipping had impacted adversely on the workload of **Bulyard Shipbuilding Industry AD** in the third quarter, as they again encouraged shipowners to postpone class repairs in order to take advantage of the peak of the market or, if not able to postpone them, to limit the volume of repairs to a minimum in order to shorten the term and reduce losses of ships being out of charter. As a result, price competition in the industry at the regional level has intensified a lot lately, especially strengthened by the highly depreciated Turkish lira, which has created additional competitive advantages for factories in our southern neighbour. The industry was also negatively affected by the sharp jump in the prices of materials and especially of energy resources. The repair volumes in 2021 are expected to be in comparable volume and revenue compared to those in 2020.

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 very low, supported by high levels and uncertainties surrounding fuels, respectively the engines that ships will be able to use in the future.

Ship design

The continuing low levels of new shipbuilding orders over the past nine months of 2021 have affected the development of design services in several directions. On the one hand, increasingly large measures and rules to reduce the greenhouse effect of ships are pushing for orders for new construction due to the lack of clarity at the moment what ships will be sought, with what engines and what fuel they will operate. The development of alternatives is still at an early stage. There is also no foreseeable time horizon in which owners can operate their ships without the need for additional investment to meet the dynamically changing environmental regulations.

On the other hand, weak orders for new ships in 2021 have boosted the market for retrofit services and 3D laser scanning. 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. Initially due to the crisis and now due to high levels of freight, many shipowners are temporarily postponing their projects related to the environmental requirements in the industry for the installation of ballast systems in order to make the most of favourable market opportunities. The gradual expiration of the statutory deadline for the implementation of these projects stimulates the demand for design services.

The resumption of cruises in 2021 has also boosted the passenger ship market. However, it is directly dependent on the development of the pandemic and the measures to limit it imposed by the countries.

The management of IHB Shipdesign monitors the trends in the environmental protection policy. Increasing environmental pressures worldwide will continue to change the current regulations on vessels, which is expected to have a positive impact on the demand for design services.

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Classification and certification

The Bulgarian Ship Register (BRS) maintained the trend of revenue growth in the third quarter of 2021. Despite ongoing restrictions due to the COVID-19 pandemic, the main portion of the requested inspections of vessels have been completed. There is an increase in the activity of the agents through which BSR provide ship certification services.

After the normally weak winter months, the number of inspections of small vessels increased in the second quarter of the year, as a result of the seasonal nature of their operation. In the third quarter, the number of such inspections decreased due to rising prices, forcing the owners of such vessels to delay their inspection. A natural decline in revenue from such services is expected in the coming cold months.

The register has completed the supervision of the construction of the new tourist catamaran for passenger transport ordered by the Burgas municipality, which already operates voyages. The company signed a contract with N. Y. Vaptsarov Naval Academy for assigning a class to a training and research ship. The supervision is expected to take place next year.

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 position of average performance for another year, reports an improvement in performance and climbing the table, 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 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 half of 2021, and the tendency to maintain smaller stocks in anticipation of high yields from the new harvest continues. Despite the strong harvest in 2021, grain trade is still stagnant, and transactions in the third quarter are sporadic as a result of delayed sales by grain producers. The high freight rates in shipping forced these customers to change the usual batches - a new segment in the demand for ships with 50 - 80 thousand dwt appeared. Most of the terminals in the ports of Varna and Bourgas are not prepared to handle such large batches. The increase in the import cargo flows of certain crops has had a positive impact as a result of investments in the construction of additional processing capacities in the North-Eastern region of the country. The forthcoming commissioning of new facilities for processing of such crops 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.

Fresh metal traders are still cautious. The recovery of these cargo volumes from before the pandemic depends on the development of the economy and investments in infrastructure and construction projects.

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 uncertainties caused by the pandemic affect negatively the demand for office space and repairs of small vessels in the first nine months of 2021, due to low interest and low economic activity of potential customers. Management expects that there will be greater clarity in business environment in 2022 so that t be able to grab any opportunity to possibly improve it and gradually let out the vacant office space in the medium term. The company is also looking for opportunities for alternative solutions in this direction, monitoring 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 in the first half of 2020 and boosted expectations for a better 2021. Initially, this growth was more difficult to meet with

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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 during the pandemic waves. Increased demand in all industry segments has also extended the delivery times of components. The companies took measures and gradually began to increase their production capacity in order to normalize the delivery times to customers and stabilize their production schedule. Business support measures introduced by the state have helped to retain staff, however increased capacity has led to a new shortage of skilled labour.

Due to summer holidays, orders in the third quarter decreased as usual, reaching the levels of production capacity, which had not changed the time limits set . A sharp delay in the supply of some non-standard components not in stock in the warehouses of the companies had been observed. It was necessary to look for substitutes and alternative suppliers.

The 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 impacted negatively on the profitability at the beginning of 2021. The high price of energy sources also put negative pressure. Extended production deadlines agreed with customers at an earlier stage at lower prices, combined with rising supply prices, will have an adverse effect on profitability in the second half of 2021.

The development of the pandemic and the restrictions imposed locally to preserve the health of the teams on the spot, possible new closing of the borders and the limited opportunity to travel and participate in exhibitions will continue to have their negative effect.

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.

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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 ultimate persons exercising control over the Company at 30 September 2021.

As at 30 September 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 30 September 2021: 60,486,788 shares held directly, representing 56.32% of the capital;

Pursuant to the three agreements concluded on 9 August 2021 (with DZH AD, Stock Tours AD and Tunisian EOOD) for the implementation of a common company management policy through a joint exercise of the voting rights attached to 12,589,069 shares in total, representing 11.72 % of the capital, with the way of implementation being determined by Bulls AD,

or directly and on the grounds of these agreements the company is able to determine the way of exercising the voting right on 73,075,857 shares in total, representing 68.04% of the capital.

On 9 August 2021, Bulls AD concluded an agreement for a common policy in connection with placing a Tender offer with its related parties within the meaning of Article 148h of POSA Dimitar Zhelev, Georgi Zhelev and Daneta Zheleva, holding jointly 41,898 shares, representing 0.039% of the capital. The agreements concluded do not affect the way of exercising the voting rights of the above-named individuals.

2. DZH AD

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

As at 30 September 2021: 9,657,874 shares held directly, representing 08.99% of the capital. DZH AD has an agreement concluded for the implementation of a common management policy of Industrial Holding Bulgaria PLC with Bulls AD, with the way of exercising the right to vote at the General Meeting of Shareholders of the Company attached to the shares held by DZH AD being determined by Bulls AD.

3. Daneta Angelova Zheleva

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

As at 30 September 2021: 41,044 shares held directly, representing 0.03% of the capital, and through related parties 9,658,520 shares in total, representing 8.99% of the capital, or directly and through related parties 9,699,564 shares in total, representing 9.03% of the capital.

4. Dimitar Georgiev Zhelev

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

As at 30 September 2021: 646 shares held directly, representing 0.0006% of the capital, and through related parties 41,044 shares, representing 0.03% of votes, and

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controlled through Bulls AD 73,075,857 shares, representing 68.04% of the capital, or directly and through related parties and through controlled parties 73,117,547, representing 68.08 % of the capital.

Dimitar Georgiev Zhelev controls Bulls AD.

Dimitar Zhelev and Daneta Zheleva are spouses.

As at 30 September 2021, IHB held 10,592,226 redeemed treasury shares representing 9.86% 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 reporting period.

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

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

Daneta Zheleva
Chief Executive Officer
Industrial Holding Bulgaria PLC

Ivan Rashkov
Chief Accountant

Vladislava Zgureva
Investors Relations Director