



ИНДУСТРИАЛЕН ХОЛДИНГ **БЪЛГАРИЯ**

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

31 March 2022

INDUSTRIAL HOLDING BULGARIA PLC
Public notification for financial position on a consolidated basis
For the period ended 31 December 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 has a capital of BGN 96,808,417.

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

As at 31 March 2022, Industrial Holding Bulgaria PLC has 10 direct subsidiaries (31 December 2021: 10), no associates (31 December 2021: Nil), and 10 indirect subsidiaries (31 December 2021: 11 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, with the exception of IHB Design AD (in liquidation), for which the General Meeting of Shareholders took a decision in November 2021 to discontinue its activity and announce it in liquidation. The term of liquidation is 6 months as of 17 January 2022 - the date of announcing the invitation to the creditors of the Company in the Commercial Register.

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 31 March 2022

<i>In BGN'000</i>	31 March 2022	31 March 2021
Revenue	31,247	22,347
Other operating income	1,177	1,308
	32,424	23,655
Change in stock of work in progress and finished products	1,845	840
Costs of acquisition and development of assets' self-construction	455	119
Costs of materials	(9,672)	(6,623)
Costs of hired services	(4,468)	(4,186)
Depreciation / amortization expenses	(3,327)	(3,184)
Costs of personnel	(7,475)	(6,569)
Other operating expenses	(699)	(127)
Operating profit / (loss)	9,083	3,925
Finance income	867	1,302
Finance costs	(69)	(307)
Profit / (loss) before tax	9,881	4,920
Income tax expense	(246)	(212)
Profit / (loss) for the year	9,635	4,708
Attributable to:		
Equity holders of the parent	9,530	4,612
Non-controlling interests	105	96

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Consolidated statement of financial position

As at 31 March 2022

<i>In BGN'000</i>	31 March 2022	31 December 2021
Assets		
Non-current assets		
Property, plant and equipment	319,578	315,476
Intangible assets	2,462	2,496
Goodwill	9,130	9,130
Investment properties	13,075	13,075
Right-of-use assets	225	296
Deferred tax assets	37	38
Trade and other receivables	16	18
Total non-current assets	344,523	340,529
Current assets		
Inventories	19,559	17,960
Trade and other receivables	11,486	9,229
Contract assets	351	469
Income tax receivable	50	57
Cash and cash equivalents	22,705	14,857
Total current assets	54,151	42,572
Assets classified as held for sale	626	626
TOTAL ASSETS	399,300	383,727

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Consolidated statement of financial position

As at 31 March 2022

(Continued)

<i>In BGN'000</i>	31 March 2022	31 December 2021
Equity		
Share capital	96,808	107,400
Decrease in share capital pending registration	-	(10,592)
Share premium	31,016	31,016
Other reserves	85,182	84,948
Reserve from foreign exchange translation of foreign operations	18,533	16,409
Retained earnings	128,423	118,735
	<u>359,962</u>	<u>347,916</u>
Non-controlling interest	1,581	2,229
Total equity	<u>361,543</u>	<u>350,145</u>
Liabilities		
Non-current liabilities		
Interest-bearing loans and other borrowings	630	1,003
Loans from related parties	978	-
Lease liabilities	4	4
Trade and other payables	48	66
Government financing	1,234	1,261
Retirement benefit liabilities	891	930
Deferred tax liabilities	10,527	10,488
Total non-current liabilities	<u>14,312</u>	<u>13,752</u>
Current liabilities		
Interest-bearing loans and other borrowings	3,448	3,774
Loans from related parties	159	157
Lease liabilities	245	325
Trade and other payables	11,873	9,583
Contract liabilities	7,307	5,676
Provisions	10	118
Government financing	109	109
Income tax liabilities	294	88
Total current liabilities	<u>23,445</u>	<u>19,830</u>
Total liabilities	<u>37,757</u>	<u>33,582</u>
TOTAL EQUITY AND LIABILITIES	<u>399,300</u>	<u>383,727</u>

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Consolidated statement of cash flows

For the period ended 31 March 2022

In BGN'000

	31 March 2022	31 March 2021
<i>Operating activity</i>		
Proceeds from customers	32,388	24,402
Payments to suppliers	(15,651)	(16,031)
Staff remuneration related payments	(7,412)	(6,596)
Corporate income taxes paid	-	-
Other taxes refunded /(paid)	665	302
Foreign currency differences	227	(4)
Government financing received	399	1,512
Other payments	(521)	(4,655)
Net cash flows from operating activity	10,095	(1,070)
<i>Investing activity</i>		
Payments on the acquisition of fixed assets and self-constructed fixed assets	(2,320)	(941)
Proceeds from sale of property, plant and equipment	110	17
Other (payments)/proceeds	-	-
Net cash flow used in investing activities	(2,210)	(924)
<i>Financing activities</i>		
Payments for redemption of treasury shares	-	(24)
Proceeds from interest-bearing loans and other borrowings	978	3,422
Payments on interest-bearing loans and other borrowings	(698)	(2,896)
Payments on lease liabilities	(82)	(76)
Dividends paid	(198)	(168)
Interest paid on loans and other borrowings	(21)	(148)
Interest paid on lease contracts	(1)	(6)
Fees and commissions paid on loans and borrowings	(2)	(11)
Payments on an interest rate swap	-	(86)
Other payments	(47)	(56)
Net cash flow used in financing activities	(71)	(49)
Net increase in cash and cash equivalents	7,814	(2,043)
Cash and cash equivalents at 1 January	14,857	6,942
FX translation effects	34	12
Cash and cash equivalents at 31 March	22,705	4,911

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Consolidated statement of changes in equity

For the period ended 31 March 2022

<i>In BGN'000</i>	Attributable to equity holders of the parent										Non-controlling interest	Total equity
	Share capital	Reduction of share capital in process of registration	Treasury shares redeemed	Share premium	Additional and statutory reserves	Revaluation reserve	Reserve from FX translation of foreign operations	Cash flow hedge reserve	Retained earnings	Total		
At 1 January 2022	107,400	(10,592)	-	31,016	5,124	79,824	16,409	-	118,735	347,916	2,229	350,145
Total comprehensive income for the year												
Profit for the year	-	-	-	-	-	-	-	-	9,530	9,530	105	9,635
Other comprehensive income for the year	-	-	-	-	-	-	2,124	-	-	2,124	-	2,124
Total comprehensive income for the year	-	-	-	-	-	-	2,124	-	9,530	11,654	105	11,759
Transactions with shareholders recognised in equity												
Distribution of profit to reserves	-	-	-	-	-	-	-	-	-	-	-	-
Dividends distributed	-	-	-	-	-	-	-	-	-	-	(361)	(361)
Acquisition of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of non-controlling interest	-	-	-	-	163	109	-	-	120	392	(392)	-
Registration of capital reduction	(10,592)	10,592	-	-	-	-	-	-	-	-	-	-
Total transactions with shareholders	(10,592)	10,592	-	-	163	109	-	-	120	392	(753)	(361)
Transfer of revaluation reserve to retained earnings	-	-	-	-	-	(38)	-	-	38	-	-	-
At 31 March 2022	96,808	-	-	31,016	5,287	79,895	18,533	-	128,423	359,962	1,581	361,543

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Consolidated statement of changes in equity

For the period ended 31 March 2022

	Attributable to equity holders of the parent											Non-controlling interest	Total equity
	Share capital	Reduction of share capital in process of registration	Treasury shares redeemed	Share premium	Additional and statutory reserves	Revaluation reserve	Reserve from FX translation of foreign operations	Cash flow hedge reserve	Retained earnings	Total			
<i>In BGN'000</i>													
At 1 January 2021	107,400	-	(8,668)	30,604	4,974	80,015	11,597	(299)	75,971	301,594	2,258	303,852	
Total comprehensive income for the year													
Profit for the year	-	-	-	-	-	-	-	-	4,612	4,612	96	4,708	
Other comprehensive income for the year	-	-	-	-	-	-	3,726	61	-	3,787	-	3,787	
Total comprehensive income for the year	-	-	-	-	-	-	3,726	61	4,612	8,399	96	8,495	
Transactions with shareholders recognised in equity													
Distribution of profit to reserves	-	-	-	-	-	-	-	-	-	-	-	-	
Dividends distributed	-	-	-	-	-	-	-	-	-	-	(386)	(386)	
Acquisition of treasury shares	-	-	(24)	-	-	-	-	-	-	(24)	-	(24)	
Invalidation of treasury shares redeemed	-	-	-	-	-	-	-	-	-	-	-	-	
Total transactions with shareholders	-	-	(24)	-	-	-	-	-	-	(24)	(386)	(410)	
Transfer of revaluation reserve to retained earnings	-	-	-	-	-	(53)	-	-	53	-	-	-	
At 31 March 2021	107,400	-	(8,692)	30,604	4,974	79,962	15,323	(238)	80,636	309,969	1,968	311,937	

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Revenue

<i>In BGN'000</i>	31 March 2022	31 March 2021
Revenue from manufacture of metal-cutting machines, components and details	7,324	6,478
Revenue from cargo transportation under voyage charter contracts	10,157	6,124
Revenue from time-charter contracts	5,525	3,125
Revenue from repair and reconstruction of ships	3,552	2,847
Revenue from designer's services	761	546
Revenue from cargo processing	2,271	1,638
Revenue from cargo storage	408	480
Quay rentals	170	193
Property rentals	526	520
Revenue from other services	553	396
	<u>31,247</u>	<u>22,347</u>

The Group's total revenue for the first quarter of 2022 has increased compared to the revenue reported for the same period of 2021. Their dynamics are primarily due to:

- Ship charter revenue is increasing as a result of the higher freight levels in the reporting period. The appreciation, on the average, of the US dollar in the first quarter of 2022 compared to the same period of 2020 has had a further positive 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 after COVID-19 observed worldwide;
- Revenue from ship repairs is increasing mainly thanks to higher workload of the Company, influenced by lower possibility of ship owners to postpone scheduled repairs, as also the freight market slowing down;
- Revenue from cargo processing increases as a result of increased exports of cereals, the international price of which has been affected by the military conflict in Ukraine.

Other operating income

<i>In BGN'000</i>	31 March 2022	31 March 2021
Income from financing	726	980
Gain on sale of fixed assets and assets classified as held for sale	97	22
Gain on sale of materials and scrap	307	257
Other income	47	49
	<u>1,177</u>	<u>1,308</u>

Income from financing reported during the period from 01 January 2022 to 31 March 2021 include primarily:

- Income of BGN 299 thousand (01 January 2021 – 31 March 2021: BGN 252 thousand) received under the Employment Protection Program of the Employment Agency aimed to support businesses and reduce negative impact of COVID-19.
- Income of BGN 400 thousand (01 January 2021 – 31 March 2021: BGN 0) received under the government program to compensate electricity consumers.

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Costs of materials

<i>In BGN'000</i>	31 March 2022	31 March 2021
	<u> </u>	<u> </u>
Main materials	(4,721)	(3,660)
Fuel used un ships	(2,224)	(1,427)
Electric power	(1,404)	(541)
Auxiliary materials	(882)	(564)
Spare parts	(305)	(270)
Other materials	(136)	(161)
	<u>(9,672)</u>	<u>(6,623)</u>

The increase in fuel consumption in the operation of ships during the first quarter of 2022 compared to the same period of 2021 is a result of the rise in electricity prices and US Dollar average exchange rate. Costs of electricity have increased significantly due to the sharp rise in the price of this energy source despite of the positive effect of the solar parks put in operation by two of the subsidiaries.

Costs of hired services

<i>In BGN'000</i>	31 March 2022	31 March 2021
	<u> </u>	<u> </u>
Port-related expenses	(1,594)	(1,257)
Services of subcontractors	(1,125)	(1,391)
Insurances	(383)	(320)
Agency services	(205)	(83)
Security	(201)	(201)
Repairs	(177)	(264)
Software maintenance on subscription	(157)	(46)
Civil contracts	(66)	(91)
Other services	(560)	(533)
	<u>(4,468)</u>	<u>(4,186)</u>

Costs of personnel

<i>In BGN'000</i>	31 March 2022	31 March 2021
	<u> </u>	<u> </u>
Compulsory social insurance	(5,862)	(5,140)
Management contracts	(921)	(812)
Compulsory social and health insurance on management contracts	(404)	(350)
Unused leave accruals	(27)	(28)
Other personnel costs	(261)	(239)
	<u>(7,475)</u>	<u>(6,569)</u>

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Other operating expenses

<i>In BGN'000</i>	31 March 2022	31 March 2021
Notarial, judicial and other fees	(243)	-
Business trips and replacement of crew	(150)	(157)
Local taxes and charges, tax on expenses, and VAT	(138)	(131)
Scrap and retirement of fixed tangible assets	(65)	(13)
Provisions accrued	105	235
Other expenses	(208)	(61)
	(699)	(127)

Notarial, judicial and other fees of BGN 735 thousand were reported in the first quarter of 2022 in connection with a claim of a Group company filed before the London Arbitration Court for non-compliance by a client with its payment commitments.

Finance income and finance costs for the reporting period:

<i>In BGN'000</i>	31 March 2022	31 March 2021
Finance income		
Foreign currency gains, net	859	1,302
Other finance income	8	-
	867	1,302
Finance costs		
Interest expenses	(24)	(267)
Foreign currency losses, net	-	-
Other finance costs	(45)	(40)
	(69)	(307)

Interest expenses

<i>In BGN'000</i>	31 March 2022	31 March 2021
Interest expenses on bank loans received	(20)	(132)
Interest expenses on loans from related parties	(3)	(25)
Interest expenses on interest rate swap	-	(104)
Interest expenses on lease liabilities	(1)	(6)
	(24)	(267)

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Bank loans

Long-term

In BGN'000

	Currency	Interest rate, %	Maturit y	31 March 2022	2021
Bank loan agreement number 16 of 27 March 2018 - long-term portion	EUR	1.9%	2023	-	326
Bank loan agreement number 19F-002296 of 08 October 2019 - long-term portion	EUR	1.6%	2026	630	677
				630	1,003

Short-term

In BGN'000

	Currency	Interest rate, %	Maturit y	31 March 2022	2021
Bank loan agreement number 16 of 27 March 2018 - short-term portion	EUR	1.9%	2023	3,262	3,588
Bank loan agreement number 19F-002296 of 08 October 2019 - short-term portion	EUR	1.6%	2026	186	186
				3,448	3,774

The bank loans are secured by mortgages on land and buildings, and registered pledges on plant and equipment owned by Group companies with total carrying amount as of 31 March 2021 of BGN 28,143 thousand (31 December 2021: BGN 80,049 thousand). In addition, KRZ Port Bourgas AD has been pledged as an entity.

At 31 March 2022, there were no liabilities on bank loans from related parties (31 December 2021: BGN 0).

At 31 March 2022, the Group had no unutilised limits in the form of a credit line for working capital financing under bank loans amounting to BGN 5,500 thousand pursuant to Contract 319 dated 30 November 2006.

In February 2022, Industrial Holding Bulgaria AD signed a bank loan agreement in order to provide loan funds for investments to a subsidiary in the amount of EUR 10,000 thousand. The loan matures in February 2028, with a 12-month term of utilization, and is to be repaid in equal repayment instalments as of March 2023. A fixed interest rate of 1.4% per annum has been agreed. Guarantors under the contract are subsidiaries. The contract will be secured by mortgages on real estate (land and buildings) of a subsidiary. In April 2022, the Company restricted the amount of USD 2,170 thousand as a collateral on an account with the creditor bank; the funds will be released after the mortgages are established. As of the date of publication of this Public Notification, Industrial Holding Bulgaria PLC utilised EUR 3,027 thousand from this bank loan and the funds were provided to the subsidiary to finance the gradual implementation of investments.

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Equity

Share capital - registered

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

<i>In BGN'000</i>	31 March 2022	31 December 2021
96,808,417 ordinary shares with nominal amount of BGN 1 each	<u>96,808</u>	<u>107,400</u>
	<u>96,808</u>	<u>107,400</u>

On 18 November 2021, the extraordinary 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 with par value of BGN 1 each. The reduction of the capital was entered into the Commercial Register on 7 March 2022 after the expiration of the statutory deadlines, and the treasury shares held were invalidated.

The capital of the Group as of 31 March 2022 comprises 96,808,418 dematerialised registered 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 par and is paid-in fully. There is no preference shares and bearer's shares.

Shareholders

The shareholders of Industrial Holding Bulgaria PLC holding more than 5% of the company's capital as of 31 March 2022 are as follows:

<i>Shareholder</i>	Number of shares as at 31 March 2022	<u>31 March 2022</u>
BULLS AD	65,359,988	67.51%
DZH AD	9,657,874	9.98%
Other shareholders	<u>21,790,555</u>	<u>22.51%</u>
	<u>96,808,417</u>	<u>100.00%</u>

In 2021, BULLS AD had an agreement concluded with DZH AD for the implementation of a common company management policy of the Company through a joint exercise of the voting rights held, with the way of exercising the voting rights being determined by BULLS AD. According to the notification for disclosure of shareholding from BULLS AD, the agreement was terminated as of 1 April 2022.

Treasury shares redeemed

By decision of the General Meeting of Shareholders of Industrial Holding Bulgaria PLC of 18 November 2021, a new treasury shares redemption 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.

The appointed investment intermediary is Allianz Bank Bulgaria AD.

Industrial Holding Bulgaria PLC held no treasury shares redeemed as of 31 March 2022.

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Related party disclosure under IAS 24

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

	Country of registration	Equity interest	
		31 March 2022	31 December 2021
		%	%
Industrial Holding Bulgaria PLC	Bulgaria	Parent company	Parent company
Privat Engineering EAD	Bulgaria	100.00	100.00
ZMM Bulgaria Holding EAD	Bulgaria	100.00	100.00
ZMM Sliven AD	Bulgaria	95.98	95.98
ZMM Nova Zagora AD	Bulgaria	99.24	93.57
IHB Metal Castings EAD	Bulgaria	100.00	100.00
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 EAD	Bulgaria	100.00	100.00
IHB Shipping Co EAD	Bulgaria	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 (in liquidation)	Bulgaria	51.00	51.00

In November 2021, the General Meeting of Shareholders of IHB 3 Design AD took a decision to discontinue the operations of the company and to announce it in liquidation. The term of liquidation is 6 months as of 17 January 2022.

In January 2022, the General Meeting of Shareholders of ZMM Nova Zagora AD took a decision to increase the entity's capital. In March 2022, the capital increase was registered with the Commercial Register and as a result, the Group's share of the company reached 99.24%

The Groups deems that it 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 67.51% of Industrial Holding Bulgaria PLC.
 In 2021, Bulls AD concluded an agreement with another shareholder holding 9 657 874 shares representing 9.98% of the capital to implement a common company management policy through a joint exercise of the voting rights held, with the way of implementation being determined by Bulls AD. According to a public notification for disclosure of shareholding by Bulls AD, the agreement was terminated as of 1 April 2022.
- 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 common 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

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Related party transactions

Trade and other receivables from related parties

In BGN'000

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

31 March 2022	31 December 2021
8	7
8	7

Cash with banks – related parties

In BGN'000

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

31 March 2022	31 December 2021
15,253	12,409
15,253	12,409

Loans from related parties (including interest)

In BGN'000

Persons exercising control

31 March 2022	31 December 2021
1,137	157
1,137	157

Long-term portion

978

-

Short-term portion

159

157

Principal

1,135

157

Interest

2

-

Trade and other payables to related parties

In BGN'000

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

31 March 2022	31 December 2021
9	132
9	132

Sales transactions

In BGN'000

Entities under common control of persons exercising control

Transaction type	31 March 2022	31 March 2021
Rental income	1	1
	1	1
Sales of services	15	12
Rental income	21	21
Other sales	1	1
	37	34
	38	35

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

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Purchase transactions

<i>In BGN'000</i>	<u>Transaction type</u>	<u>31 March 2022</u>	<u>31 March 2021</u>
Entities, over which the persons that have control exercise also significant influence or are members of their key management personnel	Purchase of hired services	171	102
	Other finance costs	15	30
		<u>186</u>	<u>132</u>

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

<i>In BGN'000</i>	<u>Amounts received / (provided)</u>	<u>Amounts (paid)/ refunded</u>	<u>Interest (expenses)/ income</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	31 March 2022	-	-	-
Entities, over which the persons that have control exercise also significant influence or are members of their key management personnel	31 March 2021	3,217	(999)	(83)
	31 March 2022	<u>-</u>	<u>-</u>	<u>-</u>
	31 March 2021	<u>3,217</u>	<u>(999)</u>	<u>(83)</u>

Movements of loans from related parties

<i>In BGN'000</i>	<u>Amounts received / (provided)</u>	<u>Amounts (paid)/ refunded</u>	<u>Interest (expenses)/ income</u>	<u>Interest paid</u>
Persons exercising control	31 March 2022	978	-	(3)
Persons exercising control	31 March 2021	-	(663)	(25)
	31 March 2022	<u>978</u>	<u>-</u>	<u>(3)</u>
	31 March 2021	<u>-</u>	<u>(663)</u>	<u>(25)</u>

Terms and conditions of related party transactions

The sales to and purchases from related parties are made at contractual prices. Outstanding balances at the period-end are unsecured (except for loans), interest free (except for loans) and the settlement is made in cash. There have been no guarantees provided to or received for related party payables or receivables, except for the ones listed below. For the period ended 31 March 2022 (31 December 2021: 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 completed arbitration procedure for non-compliance by a client of Bulyard Shipbuilding Industry AD of its commitments related to the payment of ship repair service and a counterclaim filed by the client challenging the term of completing the service and the volume of works done, a subsequent arbitration procedure is currently underway before the same arbitral tribunal for apportionment of arbitration costs.

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 2022:

- bank guarantees of BGN 1,262 thousand (31 December 2021: BGN 20 thousand) were issued to Group companies, namely: IHB Metal Castings AD and Bulyard Shipbuilding Industry AD,
- a letter of guarantee was issued to cover a liability of KRZ Port Burgas AD amounting to BGN 3,000 thousand (31 December 2021: BGN 3,000 thousand);
- a revolving credit line for working capital financing of BGN 5,500 thousand was opened (31 December 2021: BGN 5,500 thousand). As of 31 March 2022, no amounts were utilised by the Holding and/or by subsidiaries.

As of 31 March 2022, the unutilized limit under this contract for provision of a credit limit amounted to BGN 5,500 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.

In January 2022, the Group renegotiated the terms and conditions of the limit for working capital financing under Contract No 319 of 30 November 2006 for granting a credit limit for issuance of bank guarantees, letters of credit and working capital financing, and the term for utilisation and repayment of amounts under this limit was extended until January 2023.

Collateral

In connection with Bank loan contract number 22F-000155 of 24 February 2022, obtained for the purpose of securing loan funds for investments of a subsidiary, Industrial Holding Bulgaria PLC, the companies – guarantors and the company-co-debtor signed financial collateral agreements through a pledge of receivables providing for a right of use over all their accounts with the creditor bank in an amount that should be at least equal to the loan liability at the relevant time.

In connection with Bank loan contract number 19F-002296 of 8 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 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.

The collateral described above is effective until the date of full repayment of the loan obligations they secure and / or until the date of termination of the revolving limits, as the case may be.

Description of the major risks and uncertainties faced by the Group

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 businesses 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. Possible extension / reduction of restrictive measures in individual countries are risks that can lead to both improvement and deterioration of the external environment, and that have an impact on the trade partners of the Group companies.

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 and other technical solutions to bring them in compliance with ecological regulations;
- 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. Restrictions imposed by the European Union and the United States on Russia as a major global supplier of crude oil and gas are having a negative effect;

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 both in the domestic market and the region.

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, refugee flows. This risk impedes the free movement of goods and people, and leads to a change in trade flows and transport corridors; moreover, it hampers the access of registry inspectors to supervised vessels. The risk also affects the machine building industry by reducing sales volumes on traditional markets. The war in Ukraine will have the most severe effect. It will affect negatively both the sales and the supplies of the Group companies.

Risks associated with fraud and abuse

The COVID-19 pandemic intensified the risk of fraud and abuse increases, including that related to cyber-attacks, unscrupulous trade practices, bankruptcies of contractors, etc. The conflict between Russia and Ukraine has a similar effect.

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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 coal, oil or gas is growing worldwide. 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.

Risk related to basic commodities, materials and energy sources

This risk results from changes in the supplies and prices of raw materials, materials and various energy sources being used. Disrupted supplies result in rise in prices and it in turn, has an extremely unfavourable effect on the results of manufacturing companies operating in metal-intensive and energy-absorbing segments, such as machine building and ship repair. Maritime transport is highly dependent on the prices of fuels. 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.

In 2022, the level of this risk has intensified. Gas, electricity and heat prices have risen to critical levels across Europe. Additional inflationary pressures are being exerted by the many monetary incentives introduced worldwide by countries in an attempt to deal with the effects of the pandemic and the shocking levels of energy prices. The broken supply chains due to COVID-19, as well as to the war in Ukraine, affect the growth of international prices of raw materials and goods, which fuels inflation at a rapid pace. 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.

Risks relating to attracting and retaining experienced and qualified employees

Many sectors of the national economy are experiencing a capacity crunch exacerbated by a long-standing lack of focus on secondary vocational education. The lasting trend of declining and aging population in our country naturally reduces people of working age. Employees' professional qualities affect directly entities' financial results and innovation performance. The risk is reinforced by the convertible nature of some professions and high worldwide demand for such staff

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.

The war in Ukraine and restrictions against Russia increase the level of credit risk worldwide and for the Group in particular. 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.

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Guarantees - It is a policy of the Group to issue financial guarantees only to Group companies 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. In case of need, the subsidiaries are able to utilise funds from the credit limit agreed by IHB for opening of letters of credit and issuance of bank guarantees to trade contractors.

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. 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 jointing 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 currently effective exchange rate. 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. Accelerating inflation growth in 2022 may earlier lead to a change in Central Banks' policies to increase interest rates and tighter fiscal conditions in the future.

Systematic risks

The Holding and its subsidiaries are exposed to systematic risks relating to the market and macro-environment in which the companies operate. The risk arising out of the military conflict between Russia and Ukraine is growing. These risks cannot be managed and controlled by the management team.

Trends for businesses, in which the Group companies operate

Maritime transport

Initial expectations for the development of maritime transport in 2022 were reduced and international trade scored a decline as a result of disruptions caused by the combined effect of COVID-19, the war in Ukraine and global sanctions against Russia. Demand for tonnage dropped, freight levels fell and the shipping market slowed its growth in the first quarter. Because of the increased uncertainty, the cutting of old vessels and reduction of tonnage in operation continues at a slow pace and volume. This has had a negative impact on orders for new vessels, which remain at low levels. The impact of the continuing rise in the prices of steel, fuels and the ever-increasing environmental requirements towards new ships is similar. Climate issues and the decision to reduce the use of coal as an energy source are shrinking demand for tonnage. There is no foreseeable horizon in which the owners of the new vessels will be able to operate them without making additional costs

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for bringing them in compliance with regulatory changes and without restrictions. The concept of environmentally friendly marine fuel and at the same time, effective ship fuel, in view of the new regulations is not clear.

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 limited number of qualified staff.

All vessels of the IHB fleet have ballast systems installed. In the coming years, the impact of 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

Shrinking possibilities of postponing mandatory repairs of ships and the downturn in the freight market have increased demand for ship repairs at the end of 2021. The orders contracted by **Bulyard Shipbuilding Industry AD** for execution in 2022 have grown significantly. High interest is expected to continue throughout the first half of the year, which have boosted expectations for a better 2022. The negative impact of rising prices of materials and especially, of the energy resources, on the company's financial performance is growing. The development of the military conflict between Russia and Ukraine will also have a negative impact on the BSI business due to the reduced cargo in the Black Sea basin, disruption of supply chains, rising prices of materials, and increasing insurance premiums charged to shipowners.

Ship design

The low levels of new shipbuilding orders over the first quarter of 2022 have affected the development of design services in several directions. On the one hand, tighter measures and rules to reduce the greenhouse effect of ships are reducing 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. In addition, the war in Ukraine and its negative effects on shipping will force shipowners to reconsider their investment intentions for new or for renovating and upgrading existing vessels.

On the other hand, weak orders for new bulk carriers and the gradual expiration of the statutory deadline for the implementation of projects related to environmental requirements for ballast systems are expected to boost the market for retrofit services and 3D laser scanning.

The passenger ship market is dependent on the development of the pandemic and the measures to limit it imposed by the countries. The lifting of most restrictions during the new tourist season could have a positive impact on the sector in 2022. The management of IHB Shipdesign monitors the trends in the development of the environmental protection policy. It is expected that in 2022 the so-called hybridization of ships, which can reduce fuel consumption by about 70%. Interest in specialised ships (new and retrofit) related to the construction and maintenance of wind farms located on water, as well as the share of ships that will be modernised for decarbonisation, is also expected to gradually increase.

Classification and certification

The Bulgarian Ship Register (BRS, the Register) reports revenue growth in the first quarter of 2022 on YoY. Thanks to the established network of the company abroad, the Register provides its customers with a competitive service in terms of price and lead time. The appreciation of the US dollar also has a positive effect on the financial results of the BRS.

At the end of 2021, the company signed a contract with N. Y. Vaptsarov Naval Academy on conducting reviews for assigning a class to a training and research ship.

At the beginning of 2022, the company successfully completed the procedure on authorisation of BSR by the Maritime Administration Executive Agency to inspect ships sailing inland waterways. A new contract was signed with the Agency for the inspections of ships and small vessels, in which new items that need inspection have been added, expanding the range of services offered by BRS. Inspections of ships on the Danube River are expected to increase as a safe waterway for the cargo flow to Central Europe.

Although BRS has no clients from Russia and Ukraine, the conflict between both countries will affect the activities of the Register through the problems experienced by the maritime sector in the region.

The management's efforts are focused on finding new agents, attracting new shipowners, developing and offering additional services to the main ones.

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Port operations

The port terminals of **Odessos PBM** and **KRZ Port Burgas** are part of the public transport ports in Varna and Burgas. Their development depends on the economic situation in Bulgaria and in the countries of the Mediterranean and Black Sea regions.

The demand for port services and cereals cargo flows through the Group's terminals is influenced by the harvest in the country and the trends in the size of ship lots. In 2022, grain exports from Bulgaria, as well as from other countries, are likely to be affected by the war in Ukraine, as governments try to prioritize domestic supplies. Increased demand and rising prices are expected due to logistical disruptions in Ukrainian grain and oilseeds production and restrictions on Russian exports. The increased size of ship lots will continue to negatively affect the operation and performance of small terminals. The recovery of metal volumes from before the pandemic depends on the development of the economy and investments in infrastructure and construction projects, and most of all, on the European policy regarding the import from third countries. The military conflict in Ukraine, a major regional producer of iron ore and steel, and global sanctions against Russia, are also having a negative impact on this type of cargo. Traders are cautious, stocks are formed in anticipation of higher prices. The terminals in the regions of Varna and Burgas are focusing their efforts on building new capacities and storage facilities aiming at improving and accelerating the processing of cereals and other cargo, which in turn strengthens the competitive environment.

Bulport Logistics offers services in the field of small and mid-sized vessels and yachts mooring, small vessels docking for repairs, as well as the rental of offices and areas for storage and production activities. The changed work organisation due to the pandemic, the continuing uncertainty and rising prices of energy sources impact negatively on the demand for office space and repairs of small vessels in the first quarter of 2022. The war in Ukraine intensified the negative impact of these factors.

Machine building

The year 2022 began with reduced orders for metal-cutting machines offered by the Group. Rising inflation and long lead times have cooled the investment activity of the clients of ZMM Bulgaria Holding and its subsidiaries. The general uncertain situation caused by the war in Ukraine and exacerbated by the unresolved issues of the COVID-19 pandemic is having a negative impact on business. The broad market diversification of the machine-building group is expected to help keep order levels stable in 2022, albeit lower than 2021. The conflict in Ukraine adds further volatility to investment intentions of customers and results in massive price increases by the suppliers due to disrupted supplies of materials and key components. This requires alternative suppliers to be sought.

The adjusted prices of machines manufactured from the beginning of 2022, in combination with the possibility to use own electric power generated by the existing solar power plants of the Group, will diminish the negative effect of rising prices of basic raw materials and record high energy prices during the year on profitability. The construction of a new onshore photovoltaic plant in ZMM Nova Zagora has begun, which will provide the subsidiary with revenue from the sale of electricity on the free market, will cover a large part of its own energy needs, will save costs and improve the ESG performance of IHB.

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 N 4 to Ordinance N 2 on initial and subsequent disclosure of information in public offering of securities and admission of securities to trading on a regulated market

Change in individuals exercising control over the company

There were no changes in the ultimate persons exercising control over the Company at 31 March 2022.

As at 31 March 2022, 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 2022: 65,359,988 shares held directly, representing 67.51% of the capital pursuant to an agreement concluded on 9 August 2021 with DZH AD for the implementation of a common company management policy through a joint exercise of the voting rights held by DZH AD, with the way of implementation being determined by Bulls AD – 9,657,874 shares, representing 8.98% of the capital, or in total directly and pursuant to the agreement the company is able to determine the way of exercising the voting rights on 75,017,872 shares, representing 77.49% of the capital.

According to a public notification for disclosure of shareholding by Bulls AD, the agreement to follow a common policy for managing IHB was terminated as of 1 April 2022.

2. 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 2022: 9,657,874 shares held directly, representing 09.98% 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.

According to a public notification for disclosure of shareholding by Bulls AD, the agreement to follow a common policy for managing IHB was terminated as of 1 April 2022.

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 31 March 2022: 41,044 shares held directly, representing 0.04% of the capital, and through related parties 9,658,520 shares in total, representing 9.98% of the capital, or directly and through related parties 9,699,564 shares in total, representing 10.01% 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 31 March 2022: 646 shares held directly, representing 0.0006% of the capital, and through related parties 41,044 shares, representing 0.04% of votes, and controlled through Bulls AD 75,017,872 shares, representing 77.49% of the capital,

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or directly and through related parties and through controlled parties 75,059,562,
representing 77.53% of the capital.

Dimitar Georgiev Zhelev controls Bulls AD.

Dimitar Zhelev and Daneta Zheleva are spouses.

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

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.

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

In March 2022, Industrial Holding Bulgaria acquired from the subsidiary ZMM Bulgaria Holding 2,442,187 shares of the capital of Bulyard Shipbuilding Industry. As a consequence of the transaction, currently Industrial Holding Bulgaria is the sole equity owner of the company.

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 with reference to par. 2 of POSA.

Daneta Zheleva
Chief Executive Officer
Industrial Holding Bulgaria PLC

Ivan Rashkov
Chief Accountant

Vladislava Zgureva
Investors Relations Director