



INDUSTRIAL HOLDING BULGARIA

INDUSTRIAL HOLDING BULGARIA PLC

PUBLIC NOTIFICATION FOR FINANCIAL POSITION

31 March 2022

INDUSTRIAL HOLDING BULGARIA PLC
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For the period ended 31 March 2022

CORPORATE INFORMATION

Industrial Holding Bulgaria PLC is a joint stock company (PLC), registered in the Republic of Bulgaria on Company File number 13081 / 1996 with headquarters and registered office at 42 Damyan Gruev Str., Sofia, Republic of 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 96,808,417. The company has a two-tier system of governance, comprising Supervisory Board and Management Board.

The scope of activity of the Company includes the acquisition, management, assessment and sale of shares in Bulgarian and foreign companies; acquisition, assessment and sale of patents; cession of licenses to use patents to companies in which the Company holds shares, financing of companies in which the Company holds shares, as well as any other activity not prohibited by law.

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

The Company is entered into the Commercial Register at the Registry Agency with Identification Code 121631219. The Company is registered in compliance with the Law on Value Added Tax. The shares of the Company are listed on Bulgarian Stock Exchange AD, Sofia.

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NOTES

Separate Statement of Comprehensive Income

<i>BGN'000</i>	31 March 2022	31 March 2021
Interest and dividend income	6,905	4,402
Other operating income	12	11
	6,917	4,413
Costs of personnel	(161)	(152)
Costs of hired services	(57)	(66)
Other operating expenses	(67)	(65)
Operating profit	6,632	4,130
Finance income	127	-
Finance costs	(46)	(59)
Profit before tax	6,713	4,071
Income tax (expense) / benefit	-	-
Profit for the period	6,713	4,071
Other comprehensive income / (loss)	-	-
Total comprehensive income for the period, net of taxes	6,713	4,071

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Separate Statement of Financial Position

BGN'000

	31 March 2022	31 December 2021
ASSETS		
Non – current assets		
Non-current tangible and intangible assets	88	102
Right-to-use assets	113	150
Investments in subsidiaries	194,851	192,031
Loans to related parties	49,920	64,255
Differed tax asset	6	7
Total non-current assets	244,978	256,545
Current assets		
Loans to related parties	10,446	264
Trade and other receivables	772	820
Cash and cash equivalents	9,294	3,644
Total current assets	20,512	4,728
TOTAL ASSETS	265,490	261,273
EQUITY AND LIABILITIES		
Equity		
Share capital	96,808	107,400
Decrease in share capital (pending registration)	-	(10,592)
Share premium	31,016	31,016
Statutory and other reserves	9,661	9,661
Retained earnings	118,871	112,158
Total equity	256,356	249,643
Non-current liabilities		
Interest-bearing loans and borrowings	-	326
Loans and deposits from related parties	978	-
Retirement benefit liabilities	46	46
Total non-current liabilities	1,024	372
Current liabilities		
Interest-bearing loans and borrowings	3,262	3,588
Lease liabilities	125	166
Loans and deposits from related parties	1,857	7,418
Trade and other payables	2,866	86
Total current liabilities	8,110	11,258
Total liabilities	9,134	11,630
TOTAL EQUITY AND LIABILITIES	265,490	261,273

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Separate Statement of Cash Flows

BGN'000

	31 March 2022	31 March 2021
Operating activity		
Dividends received	758	486
Cash loans repaid from related parties	5,507	1,102
Cash loans to related parties	(1,328)	(1,179)
Interest received on loans to related parties	221	61
Proceeds from customers	13	12
Remuneration related payments	(211)	(155)
Foreign currency differences	127	-
Payments to suppliers and others	(60)	(110)
Net cash flows from operating activity	5,027	217
Investing activity		
Purchase of non-current tangible and intangible assets	-	(50)
Net cash flows used in investing activity	-	(50)
Financing activity		
(Payments)/proceeds on redemption of securities, net	-	(24)
Loans from related parties	978	-
Principal paid on bank loans	(652)	(978)
Interest paid on bank loans	(17)	(41)
Charges paid on bank loans	(2)	(3)
Liabilities paid under lease contracts	(41)	(38)
Interest paid under lease contracts	(1)	(3)
Deposits from related parties	420	1,046
Refunded deposits from related parties	(47)	-
Interest paid on deposits from related parties	(7)	-
Other proceeds and payments	(8)	(3)
Net cash flows used in financing activity	623	(44)
Increase/(decrease) of cash and cash equivalents	5,650	123
Cash and cash equivalents on 1 January	3,644	749
Cash and cash equivalents on 31 March	9,294	872

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Separate Statement of Changes in Equity

BGN'000

	Share capital	Decrease in share capital pending registration	Share premium	Treasury shares redeemed	Statutory and additional reserves	Retained earnings	Total
Balance as at 1 January 2021	107,400	-	30,604	(8,668)	9,661	93,357	232,354
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	4,071	4,071
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	4,071	4,071
Transactions with shareholders recognised in equity							
Purchase of treasury shares	-	-	-	(24)	-	-	(24)
Total transactions with shareholders	-	-	-	(24)	-	-	(24)
Balance as at 31 March 2021	107,400	-	30,604	(8,692)	9,661	97,428	236,401
Balance as at 1 January 2022	107,400	(10,592)	31,016	-	9,661	112,158	249,643
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	6,713	6,713
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	6,713	6,713
Transactions with shareholders recognised in equity							
Registration of capital reduction	(10,592)	10,592	-	-	-	-	-
Total transactions with shareholders	(10,592)	10,592	-	-	-	-	-
Balance as at 31 March 2022	96,808	-	31,016	-	9,661	118,871	256,356

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Interest and dividend income

<i>BGN'000</i>	<u>31 March 2022</u>	<u>31 March 2021</u>
Dividend income	6,658	4,163
Interest income	247	239
	<u>6,905</u>	<u>4,402</u>

Dividend income of BGN 6,658 thousand was reported as at 31 March 2022 (31 March 2021: BGN 4,163 thousand), distributed by:

<i>BGN'000</i>	<u>31 March 2022</u>	<u>31 March 2021</u>
ZMM Bulgaria Holding AD	3,678	3,329
Privat Engineering EAD	2,266	-
IHB Shipdesign AD	455	698
Maritime Holding AD	259	136
	<u>6,658</u>	<u>4,163</u>

Interest income of BGN 247 thousand (31 March 2021: BGN 239 thousand) originates from interest-bearing receivables from subsidiaries on cash loans granted.

Employee benefit expenses

<i>BGN'000</i>	<u>31 March 2022</u>	<u>31 March 2021</u>
Wages and salaries	(142)	(133)
Social insurance costs and other social payments	(19)	(19)
	<u>(161)</u>	<u>(152)</u>

Other operating expenses

<i>BGN'000</i>	<u>31 March 2022</u>	<u>31 March 2021</u>
Depreciation / amortization expenses	(51)	(52)
Costs of materials	(9)	(8)
Other operating expenses	(7)	(5)
	<u>(67)</u>	<u>(65)</u>

Finance income and finance costs

<i>BGN'000</i>	<u>31 March 2022</u>	<u>31 March 2021</u>
Finance income		
Foreign exchange gains, net	127	-
	<u>127</u>	<u>-</u>
Finance costs		
Interest expenses on bank loans	(17)	(41)
Interest expenses on deposits and loans from related parties, etc.	(17)	(10)
Interest expenses on lease contracts	(1)	(3)
Charges bank loans	(2)	(3)
Foreign exchange losses, net	-	(1)
Other finance costs	(9)	(1)
	<u>(46)</u>	<u>(59)</u>

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Income tax

The Company owes no income taxes for the periods ended 31 March 2022 and 31 March 2021.

The reconciliation of income tax expenses and the accounting profit multiplied by the applicable rate for the periods ended 31 March 2022 and 31 March 2021 is as follows:

<i>BGN'000</i>	<u>31 March 2022</u>	<u>31 March 2021</u>
Accounting profit before taxes	6,713	4,071
Income tax expense at the applicable tax rate of 10% for 2022 (2021: 10%)	(671)	(407)
Income exempt from taxation – dividends	666	416
Tax loss, for which tax asset is not recognised	-	(9)
Utilisation of tax losses, for which deferred tax asset is not recognised	5	-
Income tax benefit / (expense) at an effective tax rate of 0% (2020: 0%)	-	-

As at 31 March 2022, the Company reported a deferred tax asset of BGN 6 thousand (at 31 December 2021: BGN 7 thousand) on accrued retirement benefit liabilities, the unused leave liability, the lease liability, and the right-of-use asset.

Investments in subsidiaries

Investments, held by the Company as of 31 March 2022 and 31 December 2021, were as follows:

<i>BGN'000</i>	Country of incorporation	<u>31 March 2022</u>		<u>31 December 2021</u>	
		Share amount	Share percentage	Share amount	Share percentage
ZMM Bulgaria Holding EAD	Bulgaria	7,887	100.000	7,885	99.998
Privat Engineering EAD	Bulgaria	45,601	100.000	45,601	100.000
KRZ Port Burgas AD	Bulgaria	4,774	99.650	4,774	99.650
Maritime Holding AD	Bulgaria	400	61.000	400	61.000
International Industrial Holding Bulgaria AG	Switzerland	130	100.000	130	100.000
KLVK AD	Bulgaria	46,096	67.960	46,096	67.960
IHB Shipdesign AD	Bulgaria	70	70.000	70	70.000
Bulyard Shipbuilding Industry EAD	Bulgaria	66,189	100.000	63,371	95.890
Odessos PBM EAD	Bulgaria	23,653	100.000	23,653	100.000
IHB 3 Design AD (in liquidation)	Bulgaria	51	51.000	51	51.000
		<u>194,851</u>		<u>192,031</u>	

In November 2021, the General Meeting of Shareholders of IHB 3 Design AD took a decision to terminate the company's activities and to declare it in liquidation. The term of liquidation is 6 months as of 17 January 2022 – the date of registration of the notice to the Company's creditors with the Commercial Register.

In January 2022, Industrial Holding Bulgaria PLC purchased from its subsidiary the remaining shares of the capital of ZMM Bulgaria Holding EAD and thus it became the sole equity owner of the company.

In March 2022 Industrial Holding Bulgaria PLC acquired from its subsidiary the remaining shares of the capital of Bulyard Shipbuilding Industry EAD and thus, it became the sole equity owner of the latter.

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Interest-bearing loans and borrowings

<i>BGN'000</i>	Currency	Interest rate %	31 March 2022	31 December 2021
Bank Loan Agreement No. 16 of 27 March 2018	EUR	1.9%	3,262	3,914
			3,262	3,914
Long-term portion			-	326
Short-term portion			3,262	3,588

The Bank Loan Agreement No. 16 of 27 March 2018 concluded for the purpose to refinance part of the debenture loan is repaid in equal monthly instalments, with the last instalment being due in January 2023. Guarantors on the contract are subsidiaries. The contract is secured by mortgages on real estate (land and buildings) of a subsidiary.

In February 2022, Industrial Holding Bulgaria PLC signed a Bank Loan Contract No. 22F-000155 for the purpose of securing loan funds for investments of a subsidiary totalling EUR 10,000 thousand. The loan matures in February 2028 with a 12-month term of utilisation and is to be repaid in equal instalments as of March 2023. A fixed interest rate of 1.4% p.a. has been agreed. Subsidiaries are guarantors under the contract. The contract will be secured by mortgages on real estate (land and buildings) of a subsidiary. In April 2022, the company frozen the amount of USD 2,170 thousand as a collateral in an account with the creditor bank; the funds will be discharged after establishing the mortgages. As of the date of issuing this public notification, Industrial Holding Bulgaria PLC has utilised EUR 1,879 thousand from this bank loan and the funds were provided to the subsidiary for a gradual implementation of its investments.

Lease liabilities

<i>BGN'000</i>	31 March 2022	31 December 2021
Lease liabilities	125	166
Long-term portion	-	-
Short-term portion	125	166

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

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Equity

Share capital - registered

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

<i>BGN'000</i>	31 March 2022	31 December 2021
96,808,417 ordinary shares with nominal value 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 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 expiry of the statutory deadlines, and the treasury shares held have been invalidated.

As of 31 March 2022 the company's capital comprises 96,808,417 dematerialised registered voting shares with nominal value of BGN 1 each that are listed for trading on Bulgarian Stock Exchange. The share capital is subscribed at its nominal amount and is paid in full. There is no preference shares or bearer's shares.

Shareholders

The shareholders of Industrial Holding Bulgaria PLC holding directly 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%
Others	<u>21,790,555</u>	<u>22.51%</u>
	<u>96,808,417</u>	<u>100.00%</u>

In 2021, Bulls AD concluded an agreement with DZH AD for the implementation of 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.

Treasury shares redeemed

By a decision of the General Meeting of Shareholders of Industrial Holding Bulgaria PLC of 18 November 2021, a new procedure for redemption of treasury shares was initiated with the following parameters:

- number of shares to be redeemed annually 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 redemption price - BGN 1.00 per share;
- maximum redemption price - BGN 3.00 per share.

Allianz Bank Bulgaria AD was elected an investment intermediary.

The Company did not hold treasury shares redeemed as at 31 March 2022.

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Related party disclosure

The Company 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 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

V. Subsidiaries

- *Subsidiaries in which the Company holds direct control*

The direct subsidiaries of Industrial Holding Bulgaria PLC as at 31 March 2022 and 31 December 2021 are disclosed in *Investments in subsidiaries*.

- *Subsidiaries in which the Company holds indirect control*

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

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

Loans to related parties

<i>BGN'000</i>	Type of transaction	31 March 2022	31 December 2021
<i>Subsidiaries</i>	Principal	60,076	64,255
	Interest	290	264
		60,366	64,519
Long-term portion		49,920	64,255
Short-term portion		10,446	264

The loans granted are secured by promissory notes, except for:

- the loan extended to Odria Ltd of BGN 14,974 thousand as at 31 March 2022, which is secured by a first ranking sea mortgage on m/v Dimond Sky, owned by the subsidiary.

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Trade and other receivables

<i>BGN'000</i>	Type of transaction	31 March 2022	31 December 2021
<i>Subsidiaries</i>	Dividends	766	810
<i>Entities, over which the persons that have control exercise also significant influence or are members of their key management personnel</i>	Prepayments	-	9
		766	819

Cash with banks – related parties

<i>BGN'000</i>		31 March 2022	31 December 2021
<i>Entities, over which the persons that have control exercise also significant influence or are members of their key management personnel</i>		4,099	3,083
		4,099	3,083

Loans and deposits from related parties

<i>BGN'000</i>	Note	31 March 2022	31 December 2021
<i>Persons exercising control</i>	Principal	978	-
	Interest	2	-
		980	-
<i>Subsidiaries</i>	Principal	1,851	7,395
	Interest	4	23
		1,855	7,418
		2,835	7,418
Long-term portion		978	-
Short-term portion		1,857	7,418

Deposits received from subsidiaries as at 31 March 2022 are not secured and bear a fixed interest rate; they mature in September 2022. The terms and conditions of deposits as at 31 December 2021 remain the same.

Industrial Holding Bulgaria PLC received a loan from a person exercising control maturing in 2028 and bearing an interest rate of EURIROR +1%, but not less than 1%.

Trade and other payables

<i>BGN'000</i>	Type of transaction	31 March 2022	31 December 2021
<i>Subsidiaries</i>	Purchase of shares	2,818	-
		2,818	-

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Sale transactions

<i>BGN'000</i>	Type of transaction	31 March 2022	31 March 2021
<i>Subsidiaries</i>	Dividend income	6,658	4,163
	Rental income	11	11
		<u>6,669</u>	<u>4,174</u>
		<u><u>6,669</u></u>	<u><u>4,174</u></u>

Purchase transactions

	Type of transaction	31 March 2022	31 March 2021
<i>Subsidiaries</i>	Purchase of shares	2,820	-
		<u>2,820</u>	<u>-</u>
<i>Entities, over which the persons that have control exercise also significant influence or are members of their key management personnel</i>	Costs of hired services	2	2
	Other finance costs	-	1
		<u>2</u>	<u>3</u>
		<u><u>2,822</u></u>	<u><u>3</u></u>

Loans to related parties

<i>BGN'000</i>		Amounts granted	Non-cash – (increase) / decrease	Principal repaid	Interest income	Interest received
Subsidiaries	31 March 2022	<u>(1,328)</u>	<u>-</u>	<u>5,507</u>	<u>247</u>	<u>221</u>
Subsidiaries	31 March 2021	<u>(1,179)</u>	<u>-</u>	<u>1,102</u>	<u>239</u>	<u>61</u>
	31 March 2022	<u>(1,328)</u>	<u>-</u>	<u>5,507</u>	<u>247</u>	<u>221</u>
	31 March 2021	<u>(1,179)</u>	<u>-</u>	<u>1,102</u>	<u>239</u>	<u>61</u>

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Loans and deposits from related parties

<i>BGN'000</i>		Amounts received	Non-cash – increase / (decrease)	Principal paid	Interest expenses	Interest paid
<i>Persons exercising control</i>	31 March 2022	978	-	-	(2)	-
<i>Subsidiaries</i>	31 March 2022	420	(5,944)	(47)	(15)	(7)
<i>Persons exercising control</i>	31 March 2021	-	-	-	-	-
<i>Subsidiaries</i>	31 March 2021	1,046	(3,429)	-	(10)	-
	31 March 2022	1,398	(5,944)	(47)	(17)	(7)
	31 March 2021	1,046	(3,429)	-	(10)	-

Commitments and contingencies

Legal claims

No legal claims have been filed against the Company.

Guarantees

According to Contract 319 of 30 November 2006 signed with a commercial bank for granting a credit limit for issuance of bank guarantees, letters of credit and working capital financing of the Holding and/or Group entities with a limit of BGN 10,000 thousand, as at 31 March 2021:

- bank guarantees of BGN 20 thousand (31 December 2021: 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 2021: BGN 3,000 thousand);
- a guarantee was issued to cover a liability of Bulyard Shipbuilding Industry EAD of BGN 1, 242 thousand (31 December 2021: Nil);
- 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 amounts were not utilised by the Holding and/or its subsidiaries; if such occur, they will be presented net.

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 Company renegotiated the terms of the working capital financing limit under a Contract for the provision of a credit limit for the issuance of bank guarantees and working capital financing No. 319 of 30 November 2006, and the term for utilisation and repayment of amounts utilised under this limit was extended until January 2023.

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Collateral

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

In connection with the Bank Loan Agreement № 22F-000155 of 24 February 2022, obtained for the purpose of securing loan funds for investments of a subsidiary, it has concluded a financial collateral agreement by pledging receivables with the right of use on all its accounts in the creditor bank, in the amount of the obligation at the relevant time.

Description of the major risks and uncertainties faced by the

Non-systematic risks specific to the Company

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

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

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 very fast to both improvement and deterioration of the external environment, and that have an impact in 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, shortens the time of operation of ships, and makes 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. 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;
- 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.

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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. The conflict 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 war between Russia and Ukraine has a similar effect.

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.

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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.

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 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 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.

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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 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.

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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 upcoming 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.

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 decline due to 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 in which Odessos PBM and KRZ Port Burgas operate.

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.

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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 adjustments 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

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77.49% of the capital, 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 of POSA.

Daneta Zheleva
Chief Executive Officer
Industrial Holding Bulgaria PLC

Ivan Rashkov
Chief Accountant

Vladislava Zgureva
Investors Relations Director