



**SIX-MONTH FINANCIAL REPORT ON THE ACTIVITY
AS OF 30 JUNE 2022
/on a consolidated basis/**

Pursuant to the requirements of Article 100o, paragraph 4 of the Public Offering of Securities Act (POSA) and Article 13 in connection with Article 12 of Ordinance No. 2 on the initial and subsequent disclosure of information in public offerings of securities and admission of securities to trading on a regulated market

**INTERIM FINANCIAL REPORT ON THE ACTIVITY /on a consolidated basis/****I. Important events, which have occurred during the first six months of 2022 and their impact on the results reported in the financial statements**

At the end of February 2022, a military conflict between Russia and Ukraine began on the territory of Ukraine, which continues as at the date of issuance of this report as well. Russia is subject to large-scale economic sanctions from the European Union, the United States and other countries. As a result, the world's leading financial markets are experiencing turmoil, and problems with supply chains and rising energy and commodity prices globally have deepened further. Despite the many risks and difficulties in predicting the market, the volumes and activity of the Group companies of Industrial Holding Bulgaria PLC have not been affected significantly by the conflict; however, the rising inflation is impacting adversely profitability. For the time being, the volatile environment has not had an impact on the financial results of the Company itself.

1. Operating results

The results are presented in the following table:

Indicators /on a consolidated basis/ BGN'000	01.01.2022- 30.06.2022	01.01.2021- 30.06.2021
Revenue	70,070	61,520
Operating profit / loss	20,613	15,843
Net finance income / finance costs	1,839	3,162
Profit / loss before tax	22,452	19,005
Profit / loss after tax from continuing operations	21,725	18,376
Profit / loss after tax for majority owners	21,515	18,184
EBITDA	27,264	21,938

The total revenue generated by the Group for the first half of 2022 increase compared to the revenue reported for the same period of 2021 by 13.90 %.

Revenue from operating activity for the first half of 2022 amounts to BGN 67,638 thousand vs. BGN 58,569 thousand for the same period of 2021, or there is an increase of 15.48 %. The increase in the Maritime transport segment is 19.42%, Shipbuilding and ship repair segment - 12.35%, Port operations – 33.93%, Machine building – 4.6%, and Other activities - 18.71%.

The dynamics of revenue is mainly due to:

- Ship charter revenue has increased as a result of the higher average freight levels, especially in the first six months of 2022 compared to the relevant period of the previous year. The appreciation of the US dollar has also had a positive effect on revenue in the first half of 2022 compared to the same period in 2021;



- Revenue in the Shipbuilding and ship repair segment has also increased as a result of the complicated economic situation in the first half of 2022 and the inability of shipowners to further postpone class repairs related to the requirements and environmental regulations in the industry;
- Revenue from cargo processing has increased thanks to the increased export of grain, the international price of which has been affected by the military conflict in Ukraine.

Other operating income on a consolidated basis for the half year of 2022 amounts to BGN 2,432 thousand compared to BGN 2,951 thousand for the same period of 2021. Their growth is mainly due to the lower amount of financing obtained by some of the Group companies under the "Employment Preservation Program" of the Employment Agency for business support and reduction of the negative consequences of the spread of COVID-19. During the first six months of 2022 (the first six months of 2021: Nil), BGN 809 thousand is income from financing under the Program for compensating the costs of electricity for non-residential end consumers.

The Group reports net finance income of BGN 1,839 thousand for the first half of 2022 as a consequence of the foreign currency gains – a result of the US Dollar exchange rate appreciation. For the same period of 2021, net finance costs of BGN 3,162 thousand was realised – a result of the one-time effect of the liquidation of Emona Ltd (foreign currency differences of BGN 2,837 thousand reclassified from other comprehensive income in the income statement).

The result from operating activity is a profit of BGN 20,613 thousand compared to a profit of BGN 15,843 thousand for the same period last year.

The pre-tax financial result for the first half of 2022 is a profit of BGN 22,452 thousand compared to a profit of BGN 19,005 thousand for the same period of 2021.

The after-tax result is a profit of BGN 21,725 thousand, including BGN 21,515 thousand attributable to the majority owners. The profit reported for the current period is achieved mainly thanks to the result of the Maritime transport segment.

2. Main scope of activity

In January 2022, Industrial Holding Bulgaria PLC acquired from International Industrial Holding Bulgaria AG 100 shares of the capital of ZMM Bulgaria Holding EAD. As a result of the thus concluded transaction, currently Industrial Holding Bulgaria PLC is the sole equity owner of the company.

In March 2022, Industrial Holding Bulgaria purchased from its subsidiary ZMM Bulgaria Holding 2,442,187 shares of the capital of Bulyard Shipbuilding Industry. As a result of the thus concluded transaction, currently Industrial Holding Bulgaria AD is the sole equity owner of the company.

3. Corporate events

Changes in the Management Board of the Company

A change in the Management Board of Industrial Holding Bulgaria PLC was registered in the Commercial Register on 17 January 2022 – Galina Deneva, Procurator of the Company, was registered as a member of the Management Board and thus, the number of the members of the Management Board of the Company was changed to 4 (four) member. Galina Deneva continues to be the Procurator of IHB.

Reduction of the capital of Industrial Holding Bulgaria PLC

The extraordinary General Meeting of Shareholders of Industrial Holding Bulgaria PLC held on 18 November 2021 took a decision to reduce the capital from BGN 107,400,643 to BGN 96,808,417 by invalidating 10,592,226 treasury shares redeemed with a nominal value of BGN 1 each. The reduction of the capital was entered into the Commercial Register on 7 March 2022.

General Meeting of Shareholders of Industrial Holding Bulgaria PLC

Regular annual General Meeting of Shareholders of Industrial Holding Bulgaria PLC

The Supervisory Board of Industrial Holding Bulgaria PLC, with its decision, convened a regular annual General Meeting of Shareholders of the Company to be held on 21 June 2022.

The so-convened regular annual General Meeting of Shareholders of Industrial Holding Bulgaria PLC was held on 21 June 2022 and took the following decisions:

1. Approval of the Report on the Activity of the Company for 2021 and the Consolidated Report on the Activity of the Company for 2021

Decision: The General Meeting of Shareholders approves the Report on the Activity of the Company for 2021 and the Consolidated Report on the Activity of the Company for 2021.

2. Approval of the Report of the Registered Auditor for the audit of the Annual Financial Statements of the Company for 2021 and the Report of the Registered Auditor for the audit of the Consolidated Annual Financial Statements of the Company for 2021

Decision: The General Meeting of Shareholders accepts the Report of the Registered Auditor on the audit of the Annual Financial Statements for 2021 and the Report on the audit of the Consolidated Annual Financial Statements of the Company for 2021.

3. Approval of the Annual Financial Statements of the Company for 2021 and the Consolidated Financial Statements of the Company for 2021

Decision: The General Meeting of Shareholders approves the Annual Financial Statements of the Company for 2021 and the Consolidated Financial Statements of the Company for 2021.

4. Taking a decision on distributing the 2021 profit of the Company

Decision: The General Meeting of Shareholders takes a decision that the profit of the Company for 2021 amounting to BGN 18,809,401.81 (eighteen million, eight hundred and nine thousand, four hundred and one Bulgarian leva and eighty-one stotinki) to be set aside as retained earnings of the Company.

5. Report on the implementation of the remuneration policy for the members of the Supervisory and Management Boards of Industrial Holding Bulgaria AD for 2021

Decision: The General Meeting of Shareholders approves the Report on the implementation of the remuneration policy for the members of the Supervisory and Management Boards of Industrial Holding Bulgaria AD for 2021.

6. Release from liability of the members of the Management Board and the Supervisory Board for their activities in 2021

Decision: The General Meeting of Shareholders releases from liability for their activities in 2021:

As members of the Supervisory Board

- Snejana Ilieva Hristova



- Konstantin Kuzmov Zografov
- DZH AD, represented by Elena Petkova Kircheva.

As members of the Management Board:

- Daneta Angelova Zheleva,
- Borislav Emilov Gavrilov,
- Boyko Nikolov Noev

7. Determining of the remuneration of the members of the Supervisory Board and the Management Board of the Company for 2022

Decision: The General Meeting of Shareholders determines a monthly remuneration of BGN 1,000 to be paid to the members of the Supervisory Board and the Management Board of the Company in 2022.

8. Taking a decision to renew the mandate of a member of the Supervisory Board of the Company.

Decision: The General Meeting of Shareholders re-elects Mr Konstantin Zografov as a member of the Supervisory Board for a new 5-year term as of the date of holding this General Meeting of Shareholders.

9. Report on the activity of the Company's Audit Committee for 2021.

10. Taking a decision to renew the mandate and determine the remuneration of the members I of the Audit Committee of the Company.

Decision: The General Meeting of Shareholders re-elects as members of the Audit Committee, for a new 3-year term as of the date of holding this General Meeting, Mrs Snejana Ilieva Hristova, Mr Maxim Stanev Sirakov and Mrs Boryana Vladimirova Dimova. The remuneration of the members of the Audit Committee is set at BGN 500 /five hundred/.

11. Election of a registered auditor of the Company for 2022

Decision: The General Meeting of Shareholders elects the recommended by the Audit Committee registered auditor of the Company for 2022 – AFA OOD.

12. Report on the Activity of the Investor Relations Director for 2021.

Share buyback of IHB

On the grounds of Article 187b of the Commercial Act and Article 111, paragraph 5 of POSA, the General Meeting of Shareholders held on 18 November 2021 resolved on discontinuing the currently effective treasury shares redemption procedure and initiating a new procedure for a term of five calendar years under the following parameters:

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

In the first six months of 2022, IHB did not carry out any transactions in connection with the decision to buy back shares. As of 30 June 2022, Industrial Holding Bulgaria PLC did not own treasury shares.

II. DESCRIPTION OF THE MAIN RISKS AND UNCERTAINTIES TO WHICH THE COMPANY IS EXPOSED DURING THE REMAINDER OF THE YEAR

The Group's risk management policy is developed in such a way as to identify and analyse any risks faced by the Group, to set risk appetite limits and controls, to monitor the risks and compliance with the limits set.



Risks associated with the Group's portfolio structure

The Group'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 operations), thus reducing the return on the investment portfolio taken as a whole.

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 affect the trading 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 regulations and directives against environmental pollution and for energy savings for vessels imposes mandatory reconstructions of vessels and other technical solutions for making them compliant with eco-norms;
- 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 upswing 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 strongly on the developments 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 military 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 free movement of goods and persons, and hampers the access of register inspectors to supervised vessels; it also affects the machine building industry by reducing sales volumes on traditional markets. The war in Ukraine has the strongest impact on Bulgaria. It has a negative impact on both sales and deliveries of the Group companies.

Risks associated with fraud and abuse

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



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 and 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 raw materials, materials and energy sources

This risk results from changes in the prices of raw materials, materials and various energy sources being used. Damaged supplies lead an increase 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 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.

This risk intensifies in 2022. Gas, electricity and heat prices in Europe have risen sharply. Gas, electricity and heat prices have already risen sharply across Europe. Additional inflationary pressure is being exerted by the many monetary incentives introduced worldwide by countries to deal with the effects of the pandemic and the shocking levels of energy prices. The broken supply chains due to COVID-19 and the war in Ukraine affect the growth of international prices of raw materials and goods, and fuel inflation at a rapid pace. The price jump cannot be transferred directly to the end customers and significantly affects the profitability of the products manufactured 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 fuelled by the 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 skills affect directly entity's financial results and innovation performance. The risk is also enhanced by the convertible nature of some professions and high worldwide demand for such staff, as well as to the dropout of some of the trained staff from Russia and Ukraine from the labour market.

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 each 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 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. Subsidiaries may, if necessary, use funds from the credit limit agreed by IHB for opening letters of credit and issuing bank guarantees to commercial counterparties.

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, 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 one currently effective. The Group is 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 has led to a change in Central Banks' policies to increase interest rates and impose 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 caused by the military conflict between Russia and Ukraine is intensifying. These risks cannot be managed and controlled by the management team.

The main financial commitments of the Company relate to investment projects of its subsidiaries. An Investment Committee has been formed in IHB as a permanent body in support of the Company's Management Board, in view of the need the Group's investments exceeding a certain amount to be considered in advance in order to be properly prioritized.

Management of the Holding restructured the available cash resources for implementing its medium-term investment intentions within the Group in order to reflect the change in the priorities and market developments, and in view of the outlined trends around the development of enterprises from various industries. If necessary, the Holding finances the development of the companies on an ongoing basis. Currently, Odessos PBM and KRZ Port Bourgas are working on the technical design and obtaining the necessary building permits for the implementation of their projects for the expansion of the two port terminals. It is planned that the project will be financed with own funds of the subsidiary and the Group, and with a bank loan. In February 2022, Industrial Holding Bulgaria PLC signed a bank loan agreement with the aim to provide loan funds for investments to the subsidiary Odessos PBM in the amount of EUR 10,000 thousand. The loan matures in February 2028 and bears a fixed interest rate of 1.4% per annum.

Opportunities for green energy projects are also being explored.

In 2022, a project was launched for building a new ground-based photovoltaic plant within ZMM Nova Zagora with the goal being to sell the electricity generated on the free market and to meet the needs of its own consumption. It is expected that the plant will be put into operation after mid-2023.

It is also possible to incur capital expenditure on new acquisitions and business expansions.

Regarding the receivables, when there is uncertainty as to their collectability, companies make appropriate impairments. If necessary, IHB provides guarantees and sureties to cover liabilities of subsidiaries. The decisions about the amount and sources of necessary funds are taken on a case-by-case basis.

IHB has a contract concluded with DSK Bank for a credit limit for issuance of bank guarantees, opening of letters of credit and working capital financing of the Holding and/or group companies up BGN 10 million and options for disbursement in BGN, EUR and USD.

As of 30 June 2022, bank guarantees were issued to the Group companies, as follows: IHB Metal Castings AD for BGN 20 thousand and Bulyard Shipbuilding Industry EAD for BGN 1,242 thousand (31 December 2021: BGN 20 thousand). 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), and a revolving credit line for working capital financing of BGN 5,500 thousand was opened (31 December 2021: BGN 5,500 thousand). As at 30 June 2022, the amount utilised by the subsidiary Odessos PMB EAD under this revolving credit line was BGN 440 thousand (stated net).

The unutilised limited under this working capital financing credit line amounted to BGN 5,060 thousand as of 30 June 2022.

For further information about the financial instruments used, risk assessment and financial risk management of IHB, see Note 34 Financial Instruments to the interim consolidated financial statements for the first six months of 2022.

Trends for the businesses in which the Group companies operate

Maritime transport

In 2022, international trade saw a decline due to disruptions caused by the combined effect of COVID-19, the war in Ukraine and global sanctions against Russia, and initial expectations for the development of maritime transport were reduced. The shipping market slowed growth in the first six months due to reduced tonnage demand and lower freight rates compared to 2021, which however remain relatively high. Continued uncertainty slowed rates and volumes in scrapping old vessels and reduced in-service tonnage. These factors were weighing on orders for new bulk vessels, which remained at low levels.



Similar is the impact of the rising prices of metals, fuels as well as the ever-increasing environmental requirements for new ships. Climate issues and the decision to reduce the use of coal as a source of energy shrinks the demand for tonnage. There is also no foreseeable horizon in which the owners of the new vessels will be able to operate them without additional costs for making them compliant with the regulatory changes and without restrictions. In view of the new regulations the concept of environmentally acceptable is not clear, as well as of the efficient ship fuel.

In general, the Group's ships sail with Bulgarian crews, but also work with foreign crews. Recruiting such crews is difficult because of the convertible nature of their professions and the limited number of skilled personnel.

All ships of the IHB fleet have a ballast system installed. In 2022, the work on the categorization of their environmental friendliness in accordance with the requirements of the EEXI/IMO regulations began. In the coming years, the impact of the new regulations to reduce the greenhouse effect, as well as the possible solutions for achieving compliance with them, will be assessed.

Ship building and ship repair

Diminishing opportunities for postponing mandatory class overhauls of ships combined with the downturn in the freight market have boosted **Bulyard Shipbuilding Industry (BSI)**'s orders from the beginning of 2022. The situation has also contributed to filling in the capacity of Turkish shipyards with Russian ships expecting to be repaired there as a result of the ban on getting to EU ports. The increased interest continued throughout the six months and strengthens expectations for a better 2022. The high prices of materials and especially of energy resources impact negatively on the financial results of the Company, despite the state aid. The military conflict between Russia and Ukraine is also having a negative impact on business as it disrupts supply chains and keeps material prices high.

Ship design

Despite the movement in gas- and container-shipbuilding new orders, which was observed in the second quarter of 2022, the still low levels of shipbuilding are affecting the development of design services in several directions. On the one hand, increasingly large measures and rules to reduce the greenhouse effect of ships are reducing orders for new construction due to the lack of clarity at the moment what ships will be sought and with what engines. The development of alternative options is at an early stage. There is also a lack of a clear time horizon in which owners will be able to operate their ships without the need for additional investment to meet changing environmental regulations. Moreover, the war in Ukraine and its negative effects on shipping forces shipowners to reconsider their investment intentions for new and reconstruction and renovation of existing vessels.

On the other hand, the still weak orders for new bulk vessels and the gradual expiry of the statutory deadline for the implementation of projects related to the environmental requirements for the installation of ballast systems are driving the demand for retrofit services and 3D laser scanning from the beginning of 2022. There is a trend to recover activity in coastal areas. New fishing vessels and vessels serving fisheries, as well as general purpose offshore vessels are being sought. Interest in specialist vessels (new and retrofit) associated with the larger-scope construction and maintenance of offshore wind farms is expected to grow gradually. There is also interest in the conversion of vessels - changing their function or improving their functionality.

The passenger ship market is dependent on the development of the pandemic and the measures being imposed to limit it in different countries. The lifting of most restrictions during the 2022 summer tourist season has had a positive effect on the sector, including on the demand for design services.

Management of IHB Shipdesign monitors trends in environmental protection policy. The so-called hybridization of ships began this year with the aim to reduce fuel costs. It is planned to increase the share of ships that will be modernized to achieve decarbonization. An increased demand is expected for engineering services and for environmental categorization of ships in operation in accordance with the requirements of the EEXI/IMO regulations coming into force from 2023.

Classification and certification

The Bulgarian Ship Register (BSR, the Register) scored an increase in revenue in the first six months of 2022 compared to the same period of the previous year. Thanks to the established network of representatives of BSR abroad, the Register provides its customers with a competitive service in terms of price and deadline for completion. The rise in the US Dollar rate also has a positive effect on the financial results of BKR.

The supervision for assigning a class to the newly purchased educational and research ship of N. Y. Vaptsarov Naval Academy, agreed at the end of 2021, is being implemented and its first stage has been completed. At the beginning of 2022, the procedure for authorization of BSR by the Maritime Administration Executive Agency to inspect ships sailing on inland waterways was completed. A new contract was also signed with the Agency for the inspection of ships and small vessels, with new inspection positions added, expanding the range of services offered by the Register. The Company reports an increase in inspections of ships sailing on the Danube River as a safe waterway for the flow of cargo to Central Europe.

In the latest publication of the 2022 Paris Memorandum on the performance of the Recognized Organizations, BSR maintains its position of average performance for another year, and reports an improvement in indicators and a rise in the ranking, which is a prerequisite for finding new customers and applying to new Flags Administrations for approval. The management's efforts are aimed at attracting new agents and shipowners, developing and offering additional services supplementing the main ones. In this regard, a contract was signed with the Administration of Belize during the reporting period.

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 to a large extent on the economic situation in Bulgaria and in the countries of the Mediterranean and Black Sea regions.

In general, demand for port services and grain cargo flows through the Group's terminals are dependent on the domestic harvest. In the second quarter of 2022, expectations of good harvests in the new agricultural season in our country led to an increase in the export of quantities of last year's grain at inflated prices. Nevertheless, the larger size of shipping batches continues to impact adversely on the activity and performance of small terminals. The war limited the export of cereals from Ukraine through the Bulgarian ports because of the difficult access by road and rail caused by customs procedures, a shortage of rolling stock, and an insufficient storage base in the terminals. The need for financial resources forced Ukrainian merchants to sell at very low prices with high risk and expensive freight, which affected stock exchange prices. Because of their constant fluctuations, many producers refrain from selling, and traders are cautious to buy, waiting for the new harvest.

The recovery of pre-pandemic volumes of metals depends on the development of the economy, investment activity in infrastructure and construction projects and, to the greatest extent, on the European policy on imports from third countries. The conflict in Ukraine, a major regional producer of iron ore and steel, and global sanctions against Russia are also affecting these cargoes. Metal prices fell at the end of the second quarter. Traders are compensating for the halted imports from Ukraine with supplies mainly from Turkey and by increasing their stock in anticipation of better prices.

The terminals in the regions of Varna and Burgas are directing their efforts towards building new capacities and storage facilities with the aim to improve and speed up the processing of cereals and other cargoes, 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 organization of work due to the pandemic, continued uncertainty and the record high cost

of energy sources has had a negative impact on the demand for office space and small vessel repairs for the first six months of 2022.

Machine building

2022 began with reduced orders of metal cutting machines offered by the Group. Rising inflation and prolong delivery times cooled the investment activity of the customers of **ZMM Bulgaria Holding and its subsidiaries**. The overall uncertain environment caused by the war in Ukraine and the unresolved issues of the COVID-19 pandemic have adversely affected business. However, despite the reduced orders, in the second quarter the engineering group closed contracts for performance in 2023. Its broad market diversification is expected to help 2022 order levels remain stable, albeit lower than in 2021. The conflict in Ukraine adds further volatility to customers' investment intentions, results in massive supplier price rises due to disrupted supply of materials and key components, and intensifies demand for alternative suppliers.

The prices of the machines produced, adjusted from the beginning of 2022, combined with the possibility to use own electricity generated by the operating solar plants within the Group and state aid, partially diminish the negative impact on profitability caused by the high prices of commodities and record-high prices of energy sources. Construction of a new ground-based photovoltaic plant has begun at ZMM Nova Zagora, expected to ensure revenue from the sale of electricity on the free market for the subsidiary, secure its own energy needs, lead to cost savings, and improve ESG the performance of IHB. It is expected that the active and consistent marketing policy of ZMM Bulgaria Holding, the change in the processes of pricing and product development, combined with the strengthened online presence, will continue to produce positive results.

III. INFORMATION ABOUT LARGE RELATED PARTY TRANSACTIONS

During the first half of 2022, there were no any large transactions concluded between IHB PLC and its related parties, besides the loan and guarantee contracts disclosed in the interim financial statements.

IV. ELECTRONIC REFERENCE TO THE WEBSITE OF THE COMPANY WHERE INTERNAL INFORMATION UNDER ARTICLE 7 OF REGULATION (EU) 596/2014 ON THE CIRCUMSTANCES THAT HAVE OCCURRED DURING THE FIRST SIX MONTHS IS PUBLISHED

IHB has published internal information for the first six months of 2022 on the Company's website - www.bulgariaholding.com, Press Centre / News Sections (<https://www.bulgariaholding.com/bg/news>)

V. INFORMATION UNDER APPENDIX 4 TO ORDINANCE 2 ON THE INITIAL AND SUBSEQUENT DISCLOSURE OF INFORMATION IN PUBLIC OFFERINGS OF SECURITIES AND ADMISSION OF SECURITIES TO TRADING ON A REGULATED MARKET

1. Change in individuals exercising control over the company

There are no changes in the persons exercising control over the Company at 30 June 2022.

2. Initiation of insolvency proceedings in respect of the Company or its subsidiary, and all significant stages relating to the proceedings until the Company is declared insolvent

There is no such circumstance.

3. Conclusion or performance of significant transactions

None.



4. Decision for conclusion, termination and cancellation of a joint venture contract

There is no such circumstance.

5. Change in the Company's auditors and reasons for the change

There is no such circumstance.

6. 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

During the reporting period, no cases have been initiated or discontinued in which the price of the claim amounts to or exceeds 10 percent of the equity of Industrial Holding Bulgaria PLC.

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

In January 2022, Industrial Holding Bulgaria PLC acquired from International Industrial Holding Bulgaria AG 100 shares of the capital of ZMM Bulgaria Holding EAD. As a result of the thus concluded transaction, currently Industrial Holding Bulgaria PLC is the sole equity owner of the company.

In March 2022, Industrial Holding Bulgaria purchased from its subsidiary ZMM Bulgaria Holding 2,442,187 shares of the capital of Bulyard Shipbuilding Industry. As a result of the thus concluded transaction, currently Industrial Holding Bulgaria AD is the sole equity owner of the company.

8. Other circumstances deemed by the Company as being of importance to the investors in taking a decision]

None.

VI. ADDITIONAL INFORMATION

1. Information about changes in the accounting policy during the reporting period, the underlying reasons, and how they affect the Company's financial performance and equity

The accounting policies of IHB have not been changed during the reporting period.

2. Information about changes, which have occurred within the group Industrial Holding Bulgaria PLC

There was no such circumstance in the reporting period.

3. Information about the results from organizational changes within IHB, such as transformation, selling of undertakings from a group of entities within the meaning of the Accountancy Act, in-kind contributions by the undertaking, renting out of property, long-term investments, suspension of operations

There was no such circumstance in the reporting period.

4. Opinion of the management body about the likelihood of realization of the published forecasts on the results of the current financial year, taking account of the results for the current six-month period, as well as information about the factors and circumstances, which will affect the achievement of the forecast results at least by the end of the current financial year

The Managing Board of Industrial Holding Bulgaria PLC has not published forecasts on the results in 2022.

5. Information about the persons holding directly and/or indirectly at least 5 per cent of the votes



at the general meeting at the end of the six-month period, and changes in the votes held by the persons for the period from the beginning of the current financial year to the end of the reporting period

As at 30 June 2022, Industrial Holding Bulgaria PLC had information about the following shareholders holding more than 5% of the voting shares, as follows:

5.1. Bulls AD

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

As of 30 June 2022: 65 359 988 shares held directly, representing 67.51 % of the capital

As of 31 December 2021*: 65 173 554 shares held directly, representing 60.68 % of the capital,

Pursuant to an agreement signed on 9 August 2021 with DZH AD for the implementation of a common company management policy of the Company through a joint exercise of the voting rights held of DZH AD, with the way of exercising the voting rights being determined by Bulls AD - 9 657 874 shares held directly, representing 8.99 % of the capital,

or in general, pursuant to the agreement, Bulls AD is in a position to determine the way of exercising the voting rights under 74 831 428 shares held directly, representing 69.68 % of the capital.

5.2. DZH AD

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

As of 30 June 2022: 9 657 874 shares held directly, representing 09.98 % of the capital.

As of 31 December 2021*: 9 657 874 shares held directly, representing 08.99 % of the capital. DZH AD has an agreement signed with Bulls AD for the implementation of a common management policy of Industrial Holding Bulgaria PLC, with the way of exercising the voting rights at the General Meeting of Shareholders of the Company on the shares held by DZH AD being determined by Bulls AD.

5.3. Daneta Angelova Zheleva

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

As of 30 June 2022: 41 044 shares held directly, representing 0.04% of the capital, and through related parties – a total of 9 658 520 shares held directly, representing 9.98% of the capital, or directly and through related parties: 9 699 564, representing 10.01% of the capital

As of 31 December 2021 *: 41 044 shares held directly, representing 0.03% of the capital, and through related parties – a total of 9 658 520 shares held directly, representing 8.99% of the capital, or directly and through related parties: 9 699 564, representing 9.03% of the capital



5.4. Dimitar Georgiev Zhelev

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

As of 30 June 2022: 646 shares held directly, representing 0.0006% of the capital, through related parties: 9 698 918 shares held directly, representing 10.02% of votes, and controlled through Bulls AD: 65 359 988 shares held directly, representing 67.51 % of the capital, or directly, through related parties and through controlled parties: a total of 75 059 552, representing 77.53 % of the capital.

As of 31 December 2021*: 646 shares held directly, representing 0.0006% of the capital, through related parties: 41 044 shares held directly, representing 0.03% of votes, and controlled through Bulls AD: 74 831 428 shares held directly, representing 69.68 % of the capital, or directly, through related parties and through controlled parties: a total of 74 873 118 shares, representing 69.71 % of the capital.

Dimitar Georgiev Zhelev controls Bulls AD and the votes directly held by him. Dimitar Zhelev and Daneta Zheleva are spouses.

** the above percentages as of 31 December 2021 have been calculated on the basis of the capital of the Company as at 31 December 2021, namely BGN 107 400 643.*



6. Information about the shares owned by the issuer's management and control bodies at the end of the six-month period, as well as the changes that have occurred over the period from the beginning of the current financial year to the end of the reporting period for every person separately

Information about the shares of IHB PLC held by the members of the Supervisory and Managing Boards

As of 30 June 2022:

	Acquired directly in the first six months of 2022	Transferred directly in the first six months of 2022	Acquired through related in the first six months of 2022	Transferred through related in the first six months of 2022	Number of shares held directly	Number of shares held through related parties	Total directly and through related parties	% of the votes at GMS held directly and through related parties
Members of SB								
DZH AD	0	0	0	0	9 657 874	0	9 657 874	9.98%
Snejana Hristova	0	0	0	0	250	500 258	500 508	0.52 %
Konstantin Zografov	0	0	0	0	582	208	790	0.0008%
Members of MB								
Daneta Zheleva	0	0	0	0	41 044	9 658 520	9 699 564	10.01%
Galina Dineva	0	0	0	0	0	0		0
Borislav Gavrilov	0	0	0	0	208	0	208	0.0002%
Boyko Noev	0	0	0	0	0	0		0

7. Information about pending legal, administrative or arbitration procedures relating to liabilities or receivables at the rate of at least 10 per cent from the issuer's equity; if the total amount of the issuer's liabilities or receivables of all initiated proceedings exceeds 10 per cent of its equity, information shall be presented for each procedure separately

None.

8. Information about the loans granted by the issuer or by its subsidiaries, or by their subsidiaries, collateral provided or liabilities assumed in total to one person or its subsidiary, including to related parties, with indication of the persons' names or designation and UIC, the nature of the relationship between the issuer or its subsidiaries and the borrower, the amount of the outstanding principal, interest rate, date of contract conclusion, including additional agreements, deadline for repayment, amount of the assumed obligation, specific terms and conditions, other than those specified in this provision, as well as the purpose for which they have been granted, in case they have been concluded as targeted loans.

As at 30 June 2022 the current loans granted by IHB, as a lender, only to its subsidiaries (direct and indirect) were as follows:



- Loan granted to KLVK, UIC 130735957, under a Loan contract dated 18 April 2018 and annexes thereto, interest of 2% and maturity on 31 January 2023. The loan principal was BGN 8,536 thousand as of 30 June 2022;
- Loan granted to Bulyard Shipbuilding Industry, UIC 103862587, under a Novation contract dated 01 April 2018 and annexes thereto, interest of 2% and maturity on 31 December 2025. The loan principal was BGN 21,208 thousand as of 30 June 2022;
- Loan granted to Bulport Logistics, UIC 200421706, under a Loan contract dated 14 June 2018 and annexes thereto, interest of 2% and maturity on 31 December 2025. The loan principal was BGN 3,935 thousand as at 30 June 2022;
- Loan granted to Karvuna Ltd, UIC n/a, under a Novation contract dated 01 January 2018 and annexes thereto, interest of 1% and maturity on 31 December 2025. The loan principal was BGN 4,470 thousand as at 30 June 2022;
- Loan granted to Odria Ltd, UIC n/a, under a Novation contract dated 01 January 2018 and annexes thereto, interest of 1% and maturity on 01 January 2025. The loan principal was BGN 14,936 thousand as at 30 June 2022.
- Loan granted to Odessos PBM EAD, UIC 103930885, under a Loan Contract dated 25 January 2022 and annexes thereto, interest of EURIBOR +1.5% and maturity on 30 December 2028. The loan principal was BGN 1,328 thousand as of 30 June 2022.
- Loan granted to Odessos PBM EAD, UIC 103930885, under a Loan Contract dated 08 March 2022, interest of 1.5% and maturity on 31 January 2029. The loan principal was BGN 6,296 thousand as of 30 June 2022.

As at 30 June 2022 the current loans granted by IHB subsidiaries, as lenders, were only within the IHB Group and were as follows:

- Loan granted by Privat Engineering to its subsidiary Tirista Ltd, UIC n/a, under a Loan contract dated 25 February 2011 and annexes thereto, interest of 1% and maturity on 31 December 2025. The loan principal was BGN 9,166 thousand as at 30 June 2022;
- Loan granted by Privat Engineering to its subsidiary Karvuna Ltd, UIC n/a, under a Novation contract dated 31 October 2013 and annexes thereto, interest of 1% and maturity on 31 December 2022. The loan principal was BGN 10,320 thousand as at 30 June 2022;
- Loan granted by KLVK to its subsidiary Odria Ltd, UIC n/a, under a Loan contract dated 01 January 2013 and annexes thereto, interest of 1% and maturity on 01 January 2025. The loan principal was BGN 6,322 thousand as at 30 June 2022;
- Loan granted by KLVK to its subsidiary Serdika Ltd, UIC n/a, under an Agreement dated 12 March 2013 and annexes thereto, interest of 1% and maturity on 31 December 2025. The loan principal was BGN 26,732 thousand as at 30 June 2022.

Daneta Zheleva
Chief Executive Officer

Vladislava Zgureva
Investor Relations Director