



**ИНДУСТРИАЛЕН ХОЛДИНГ БЪЛГАРИЯ**

**INDUSTRIAL HOLDING BULGARIA PLC**

**PUBLIC NOTIFICATION FOR FINANCIAL POSITION**

**30 September 2022**

**INDUSTRIAL HOLDING BULGARIA PLC**  
**PUBLIC NOTIFICATION FOR FINANCIAL POSITION**

For the period ended 30 September 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>	<b>30 September 2022</b>	<b>30 September 2021</b>
Interest and dividend income	8,790	6,962
Other operating income	57	33
	<b>8,847</b>	<b>6,995</b>
Costs of personnel	(507)	(495)
Costs of hired services	(128)	(131)
Other operating expenses	(210)	(211)
<b>Operating profit</b>	<b>8,002</b>	<b>6,158</b>
Finance income	2,109	46
Finance costs	(158)	(149)
<b>Profit before tax</b>	<b>9,953</b>	<b>6,055</b>
Income tax (expense) / benefit	(2)	-
<b>Profit for the period</b>	<b>9,951</b>	<b>6,055</b>
<b>Other comprehensive income / (loss)</b>	-	-
<b>Total comprehensive income for the period, net of taxes</b>	<b>9,951</b>	<b>6,055</b>

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**Separate Statement of Financial Position**

*BGN'000*

	<b>30 September 2022</b>	<b>31 December 2021</b>
<b>ASSETS</b>		
<b>Non – current assets</b>		
Non-current tangible and intangible assets	60	102
Right-to-use assets	38	150
Investments in subsidiaries	191,708	192,031
Loans to related parties	48,180	64,255
Differed tax asset	5	7
<b>Total non-current assets</b>	<b>239,991</b>	<b>256,545</b>
<b>Current assets</b>		
Loans to related parties	3,430	264
Trade and other receivables	660	820
Cash and cash equivalents	25,280	3,644
<b>Total current assets</b>	<b>29,370</b>	<b>4,728</b>
<b>TOTAL ASSETS</b>	<b>269,361</b>	<b>261,273</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
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	122,109	112,158
<b>Total equity</b>	<b>259,594</b>	<b>249,643</b>
<b>Non-current liabilities</b>		
Interest-bearing loans and borrowings	5,015	326
Loans and deposits from related parties	978	-
Retirement benefit liabilities	46	46
<b>Total non-current liabilities</b>	<b>6,039</b>	<b>372</b>
<b>Current liabilities</b>		
Interest-bearing loans and borrowings	3,593	3,588
Lease liabilities	42	166
Loans and deposits from related parties	72	7,418
Trade and other payables	21	86
<b>Total current liabilities</b>	<b>3,728</b>	<b>11,258</b>
<b>Total liabilities</b>	<b>9,767</b>	<b>11,630</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>269,361</b>	<b>261,273</b>

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**Separate Statement of Cash Flows**

*BGN'000*

	<b>30 September 2022</b>	<b>30 September 2021</b>
<b>Operating activity</b>		
Dividends received	2,165	1,700
Cash loans repaid from related parties	22,239	8,802
Cash loans to related parties	(9,529)	(6,224)
Interest received on loans to related parties	926	729
Payments on the acquisition of stocks and shares	(2,820)	-
Proceeds from reduction of the capital of a subsidiary	3,092	-
Liquidation shares received	28	-
Proceeds from customers	40	40
Remuneration related payments	(560)	(498)
Foreign exchange differences	2,089	47
Cash provided as guarantees	(4,354)	-
Payments to suppliers and others	(288)	(252)
<b>Net cash flows from operating activity</b>	<b>13,028</b>	<b>4,344</b>
<b>Investing activity</b>		
Purchase of non-current tangible and intangible assets	-	(63)
Sale of non-current tangible and intangible assets	25	-
<b>Net cash flows used in investing activity</b>	<b>25</b>	<b>(63)</b>
<b>Financing activity</b>		
(Payments)/proceeds on redemption of securities, net	-	(1,512)
Bank loans received	7,301	-
Principal paid on bank loans	(2,608)	(3,260)
Interest paid on bank loans	(78)	(110)
Charges paid on bank loans	(19)	(7)
Liabilities paid under lease contracts	(124)	(116)
Interest paid under lease contracts	(1)	(9)
Loans and deposits from related parties	2,373	5,083
Refunded deposits from related parties	(2,608)	(293)
Interest paid on deposits from related parties	(15)	-
Interest received on bank deposits	18	-
Other proceeds and payments	(10)	(2)
<b>Net cash flows used in financing activity</b>	<b>4,229</b>	<b>(226)</b>
<b>Increase/(decrease) of cash and cash equivalents</b>	<b>17,282</b>	<b>4,055</b>
Cash and cash equivalents on 1 January	3,644	749
<b>Cash and cash equivalents on 30 September</b>	<b>20,926</b>	<b>4,804</b>

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**Separate Statement of Changes in Equity**

*BGN '000*

	Share capital	Decrease in share capital pending registration	Treasury shares redeemed	Share premium	Statutory and additional reserves	Retained earnings	<b>Total</b>
<b>Balance as at 1 January 2021</b>	<b>107,400</b>	<b>-</b>	<b>(8,668)</b>	<b>30,604</b>	<b>9,661</b>	<b>93,357</b>	<b>232,354</b>
<b>Total comprehensive income for the period</b>							
Profit for the period	-	-	-	-	-	6,055	<b>6,055</b>
Other comprehensive income for the period	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,055</b>	<b>6,055</b>
<b>Transactions with shareholders recognised in equity</b>							
Purchase of treasury shares	-	-	(1,512)	-	-	-	<b>(1,512)</b>
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>(1,512)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,512)</b>
<b>Balance as at 30 September 2021</b>	<b>107,400</b>	<b>-</b>	<b>(10,180)</b>	<b>30,604</b>	<b>9,661</b>	<b>99,412</b>	<b>236,897</b>
<b>Balance as at 1 January 2022</b>	<b>107,400</b>	<b>(10,592)</b>	<b>-</b>	<b>31,016</b>	<b>9,661</b>	<b>112,158</b>	<b>249,643</b>
<b>Total comprehensive income for the period</b>							
Profit for the period	-	-	-	-	-	9,951	<b>9,951</b>
Other comprehensive income for the period	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,951</b>	<b>9,951</b>
<b>Transactions with shareholders recognised in equity</b>							
Registration of capital reduction	(10,592)	10,592	-	-	-	-	-
<b>Total transactions with shareholders</b>	<b>(10,592)</b>	<b>10,592</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance as at 30 September 2022</b>	<b>96,808</b>	<b>-</b>	<b>-</b>	<b>31,016</b>	<b>9,661</b>	<b>122,109</b>	<b>259,594</b>

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**Interest and dividend income**

<i>BGN'000</i>	<b>30 September 2022</b>	<b>30 September 2021</b>
Dividend income	8,063	6,255
Interest income	727	707
	<b>8,790</b>	<b>6,962</b>

Dividend income of BGN 8,063 thousand was reported as at 30 September 2022 (30 September 2021: BGN 6,255 thousand), distributed by:

<i>BGN'000</i>	<b>30 September 2022</b>	<b>30 September 2021</b>
ZMM Bulgaria Holding AD	3,678	3,329
Privat Engineering EAD	2,266	-
KRZ Port Burgas AD	1,405	2,092
IHB Shipdesign AD	455	698
Maritime Holding AD	259	136
	<b>8,063</b>	<b>6,255</b>

Interest income for the first nine months of 2022 in the amount of BGN 727 thousand (30 September 2021: BGN 707 thousand) originates from interest-bearing receivables from subsidiaries on cash loans granted.

**Employee benefit expenses**

<i>BGN'000</i>	<b>30 September 2022</b>	<b>30 September 2021</b>
Wages and salaries	(440)	(436)
Social insurance costs and other social payments	(67)	(59)
	<b>(507)</b>	<b>(495)</b>

**Other operating expenses**

<i>BGN'000</i>	<b>30 September 2022</b>	<b>30 September 2021</b>
Depreciation / amortization expenses	(152)	(159)
Costs of materials	(27)	(23)
Other operating expenses	(31)	(29)
	<b>(210)</b>	<b>(211)</b>

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**Finance income and finance costs**

<i>BGN'000</i>	<b>30 September 2022</b>	<b>30 September 2021</b>
<b>Finance income</b>		
Foreign exchange gains, net	2,091	46
Interest income on bank deposits	18	-
	<b>2,109</b>	<b>46</b>
<b>Finance costs</b>		
Interest expenses on bank loans	(79)	(109)
Interest expenses on deposits and loans from related parties, etc.	(26)	(22)
Interest expenses on lease contracts	(1)	(9)
Charges bank loans	(19)	(7)
Loss on liquidation of a subsidiary	(23)	-
Other finance costs	(10)	(2)
	<b>(158)</b>	<b>(149)</b>

**Income tax**

The Company owes no income taxes for the periods ended 30 September 2022 and 30 September 2021.

The reconciliation of income tax expenses and the accounting profit multiplied by the applicable rate for the periods ended 30 September 2022 and 30 September 2021 is as follows:

<i>BGN'000</i>	<b>30 September 2022</b>	<b>30 September 2021</b>
<b>Accounting profit before taxes</b>	<b>9,953</b>	<b>6,055</b>
Income tax expense at the applicable tax rate of 10% for 2022 (2021: 10%)	(995)	(606)
Income, exempt from taxation – dividends	806	626
Tax loss, for which tax asset is not recognised	-	(20)
Utilisation of tax losses, for which deferred tax asset is not recognised	189	-
<b>Income tax benefit / (expense) at an effective tax rate of 0% (2021: 0% )</b>	<b>-</b>	<b>-</b>

As at 30 September 2022, the Company reported a deferred tax asset of BGN 5 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.



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**Investments in subsidiaries**

Investments, held by the Company as of 30 September 2022 and 31 December 2021, were as follows:

<i>BGN'000</i>	Country of incorporation	30 September 2022		31 December 2021	
		Share amount	Share percentage	Share amount	Share percentage
ZMM Bulgaria Holding EAD	Bulgaria	4,795	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 (stricken off the Register)	Bulgaria	-	-	51	51.000
		<b>191,708</b>		<b>192,031</b>	

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. In July 2022, after the expiration of the statutory period for submitting claims from creditors, the property of IHB 3Design AD (stricken off the Register) was distributed among the shareholders and a closing liquidation balance sheet of the company was prepared. In August 2022, the company was stricken off the 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.

In May 2022, a reduction of the capital of the subsidiary ZMM Bulgaria Holding EAD by the amount of BGN 3,092 thousand was entered into the Commercial Register, following a resolution of the sole owner Industrial Holding Bulgaria AD.

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**Cash and cash equivalents**

<i>BGN'000</i>	<b>30 September 2022</b>	<b>31 December 2021</b>
Cash on hand	1	-
Cash with banks-related parties	18,880	3,083
Cash with banks-others	2,045	561
<b>Cash and cash equivalents presented in the Statement of Cash Flows</b>	<b>20,926</b>	<b>3,644</b>
Cash restricted as collateral on bank loans	4,354	-
<b>Cash and cash equivalents presented in the Statement of Financial Position</b>	<b>25,280</b>	<b>3,644</b>

Cash denominated in BGN is measured at its nominal value and those denominated in foreign currency – at the closing exchange rate of BNB at the end of the reporting period. Foreign exchange differences are reported as current income and respectively, expenses. Aiming at managing cash available and earning revenue from it, the Company concluded one-month and three-month deposits totalling USD 10,390 thousand.

In April 2022, the Company restricted the amount of USD 2,170 thousand as collateral on Bank Loan No. 22F-000155; the funds will be released after a mortgage on real estate (land and buildings) of a subsidiary is established. A three-month deposit is established on the restricted amount.

**Interest-bearing loans and borrowings**

**Long-term**

<i>BGN'000</i>	<b>Currency</b>	<b>Interest rate %</b>	<b>Maturity y</b>	<b>30 September 2022</b>	<b>31 December 2021</b>
Bank Loan Contract No. 16 of 27 March 2018	EUR	1.9 %	2023	-	326
Bank Loan Contract No. 22F-000155 of 24 February 2022	EUR	1.4 %	2028	5,015	-
				<b>5,015</b>	<b>326</b>

**Short-term**

<i>BGN'000</i>	<b>Currency</b>	<b>Interest rate %</b>	<b>Maturity y</b>	<b>30 September 2022</b>	<b>31 December 2021</b>
Bank Loan Contract No. 16 of 27 March 2018	EUR	1.9 %	2023	1,304	3,588
Bank Loan Contract No. 22F-000155 of 24 February 2022	EUR	1.4 %	2028	2,289	-
				<b>3,593</b>	<b>3,588</b>

*BGN'000*

		<b>30 September 2022</b>	<b>31 December 2021</b>
Liabilities on bank loans	Principal	8,605	3,912
	Interest	3	2
		<b>8,608</b>	<b>3,914</b>

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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 3,826 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>	<u>30 September 2022</u>	<u>31 December 2021</u>
Lease liabilities	<u>42</u>	<u>166</u>
Long-term portion	-	-
Short-term portion	42	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>	<b>30 September 2022</b>	<b>31 December 2021</b>
96,808,417 ordinary shares with nominal value of BGN 1 each	<u>96,808</u>	<u>107,400</u>
	<b><u>96,808</u></b>	<b><u>107,400</u></b>

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 30 September 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 30 September 2022 are as follows:

<i>Shareholder</i>	<b>Number of shares as of 30 September 2022</b>	<b>30 September 2022</b>
BULLS AD	65,526,988	67.69%
DZH AD	9,657,874	9.98%
Others	<u>21,623,555</u>	<u>22.33%</u>
	<b><u>96,808,417</u></b>	<b><u>100.00%</u></b>

*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 30 September 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.
- 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 30 September 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>	<b>Type of transaction</b>	<b>30 September 2022</b>	<b>31 December 2021</b>
<i>Subsidiaries</i>	Principal	51,545	64,255
	Interest	65	264
		<b>51,610</b>	<b>64,519</b>
Long-term portion		48,180	64,255
Short-term portion		3,430	264

The loans granted are secured by promissory notes, except for the loan extended to Odria Ltd of BGN 11,447 thousand and that to Karvuna Ltd of BGN 3,093 thousand, both secured by a sea mortgage on m/v Dimond Sky and m/v Karvuna, owned by the subsidiaries.

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**Trade and other receivables**

<i>BGN'000</i>	<b>Type of transaction</b>	<b>30 September 2022</b>	<b>31 December 2021</b>
<i>Subsidiaries</i>	Dividends	563	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
		<b>563</b>	<b>819</b>

**Cash with banks – related parties**

<i>BGN'000</i>		<b>30 September 2022</b>	<b>31 December 2021</b>
<i>Entities, over which the persons that have control exercise also significant influence or are members of their key management personnel</i>		18,880	3,083
		<b>18,880</b>	<b>3,083</b>

**Loans and deposits from related parties**

<i>BGN'000</i>	<b>Note</b>	<b>30 September 2022</b>	<b>31 December 2021</b>
<i>Persons exercising control</i>	Principal	978	-
	Interest	7	-
		<b>985</b>	<b>-</b>
<i>Subsidiaries</i>	Principal	65	7,395
	Interest	-	23
		<b>65</b>	<b>7,418</b>
		<b>1,050</b>	<b>7,418</b>
Long-term portion		978	-
Short-term portion		72	7,418

Deposits received from subsidiaries as at 30 September 2022 are not secured and bear a fixed interest rate; they mature in September 2023. 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%.

**Sales transactions**

<i>BGN'000</i>	<b>Type of transaction</b>	<b>30 September 2022</b>	<b>30 September 2021</b>
<i>Subsidiaries</i>	Dividend income	8,063	6,255
	Rental income	33	33
	Revenue from sales of fixed assets	17	-
		<b>8,113</b>	<b>6,288</b>

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**Purchase transactions**

	<b>Type of transaction</b>	<b>30 September 2022</b>	<b>30 September 2021</b>
<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	10	10
	Other finance costs	2	1
		<u>12</u>	<u>11</u>
		<u><b>2,832</b></u>	<u><b>11</b></u>

**Loans to related parties**

*BGN'000*

		<b>Amounts granted</b>	<b>Non-cash – (increase) / decrease</b>	<b>Principal repaid</b>	<b>Interest income</b>	<b>Interest received</b>
Subsidiaries	30 September 2022	(9,529)	-	22,239	727	926
Subsidiaries	30 September 2021	(6,224)	-	8,802	707	729
	<b>30 September 2022</b>	<b>(9,529)</b>	<b>-</b>	<b>22,239</b>	<b>727</b>	<b>926</b>
	<b>30 September 2021</b>	<b>(6,224)</b>	<b>-</b>	<b>8,802</b>	<b>707</b>	<b>729</b>

**Loans and deposits from related parties**

*BGN'000*

		<b>Amounts received</b>	<b>Non-cash – increase / (decrease)</b>	<b>Principal paid</b>	<b>Interest expenses</b>	<b>Interest paid</b>
<i>Persons exercising control</i>	30 September 2022	978	-	-	(7)	-
<i>Subsidiaries</i>	30 September 2022	1,395	(6,144)	(2,608)	(19)	(15)
<i>Persons exercising control</i>	30 September 2021	-	-	-	-	-
<i>Subsidiaries</i>	30 September 2021	5,083	(3,731)	(293)	(22)	-
	<b>30 September 2022</b>	<b>2,373</b>	<b>(6,144)</b>	<b>(2,608)</b>	<b>(26)</b>	<b>(15)</b>
	<b>30 September 2021</b>	<b>5,083</b>	<b>(3,731)</b>	<b>(293)</b>	<b>(22)</b>	<b>-</b>

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**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 30 September 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 revolving credit line for working capital financing of BGN 5,500 thousand was opened (31 December 2021: BGN 5,500 thousand). As of 30 September 2022, amounts were not utilised by the Holding and/or its subsidiaries; if such occur, they will be presented net.

As of 30 September 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.

**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.



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**Description of the major risks and uncertainties faced by the Company**

*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 on the trade partners of the Group companies.

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

The state of the global economy and demand for raw materials underpin the development of trade. Of all segments in the IHB's investment portfolio, the most direct and imminent impact they have on the shipping industry. Stress on the market and pressure on the freight have a number of divergent factors:

- cyclicity of the shipping industry – cycles are linked to the global economy and the balance between the proposed shipping tonnage and the needs of exporters and importers. Risk exists for operators who have failed to properly plan and distribute their cash flows at a time of difficult access to finance under aggravated conditions during crisis;
- number of ships in construction and entry into service and state of the ship cutting market
- increased environmental restrictions – the introduction of new eco-norms and directives against environmental pollution and for energy savings for vessels imposes mandatory reconstructions of vessels and other technical solutions to bring them in compliance with ecological regulations;
- global fuel problems - on the one hand, oil can be a cause of conflict and, on the other hand, the price and availability of it can be a cause of erosion or a fall in the freight market, as marine fuels are the main raw material in the industry and stock commodity. Restrictions imposed by the European Union and the United States on Russia as a major global supplier of crude oil and gas are having a negative effect;
- development potential – stems from major infrastructure projects, major investments in the gas and oil sectors, etc.

The level of economic activity worldwide has impacted on machine building, shipbuilding and ship repair, while port operations depend to a greater extent 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 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 has the most severe effect with respect to Bulgaria. It affects negatively both the sales and the supplies of the Group companies.

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**Risks associated with fraud and abuse**

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

**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 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 commodities 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 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 intensified by the convertible nature of some professions and high worldwide demand for such staff, as also by the withdrawal from the labour market of some of the skilled employees from Russia and Ukraine.

Management has adopted a long-term approach to human resource management related to preliminary and subsequent qualification of staff, as well as a close cooperation with the academic society in the country.

**Credit risk**

Credit risk is the risk of possible financial loss if a client or a party to a financial instrument fails to perform its contractual obligations. The risk is mainly related to receivables from clients and investments in other financial assets.

*Receivables from clients* – The Group's credit risk exposure depends on the customer's individual characteristics that differ between sectors. The most affected segments are that of ship building, ship design, port activities, classification and certification.

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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 utilise funds from the credit limit agreed by IHB for opening of letters of credit and issuance of bank guarantees to trade contractors.

**Liquidity risk**

Liquidity risk is the probability that the Group will be unable to meet all its obligations when they become due. Such risk may arise in case of delayed payments by clients. The Group companies elaborate financial planning to cover their expenses and current payables for a period of 90 days. Where possible, a deferred payment to suppliers and subcontractors is applied in combination with the above measures, but without affecting negatively their businesses. The Holding's management supports the Group companies' efforts towards attracting bank financing for investments and capacity utilization in the form of revolving credits for working capital in support of production. The attracted volumes of funds are maintained at pre-determined levels and approved only after their economic effectiveness for each company has been proven.

**Currency risk**

The Group companies are exposed to currency risk as they perform purchases and/or sales and/or receive loans in currencies, other than the functional currency. Aiming at reducing the Group's exposure to currency risk, the Holding's management is trying to minimise the payments in foreign currencies other than the functional currency in the operating activity of most companies. The goal is that transactions with customers and suppliers are agreed primarily in BGN and EUR for the companies the functional currency of which is the Bulgarian lev and in USD for the ship companies, as USD is the main currency, in which the ship business operates. Given the Bulgaria's jointing the ERM II exchange rate mechanism (the so-called euro area waiting room), there is a low risk that the EUR exchange rate agreed vis-à-vis the exchange rate of the Bulgarian lev in the event of entry into the Euro area to be different from the fixed one. 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. The inflation growth in 2022 has led to a change in Central Banks' policies to increase interest rates and tighter fiscal conditions.

**Systematic risks**

The Holding and its subsidiaries are exposed to systematic risks relating to the market and macro-environment in which the companies operate. 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.

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**Trends for businesses, in which the Group companies operate**

**Maritime transport**

In 2022, the international trading 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, and initial expectations for maritime transport development were reduced. The shipping market slowed its growth due to the reduced demand for tonnage and lower freight levels compared to 2021 that, however, remained relatively high. Because of the continuing uncertainty, the cutting of old vessels and reduction of tonnage in operation runs at a slow pace and volume. These factors had a negative impact on orders for new bulk vessels, which remained at low levels. The impact of the 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, although recently they began to hire foreign crews as well. Their recruitment is difficult due to the convertible nature of their professions and limited number of qualified staff in the country.

All vessels of the IHB fleet have ballast systems installed. In 2022, the work on the environmental categorization of ships in accordance with the requirements of the EEXI/IMO regulations began. In the coming years, the impact of new regulations for the reduction of carbon dioxide emissions in the atmosphere will be assessed, as well as possible solutions to comply therewith.

**Ship building and ship repair**

Shrinking possibilities of postponing mandatory class repairs of ships, by which the statutory deadline for the implementation of projects related to environmental requirements for the installation of ballast systems gradually expire, in combination with the decline in the freight market, have increased the orders contracted by **Bulyard Shipbuilding Industry AD (BHI)** from the beginning of 2022. The fully booked capacity of the Turkish shipyards with Russian ships, which expect to be repaired there due to the ban on visiting EU ports, also contributed to this situation. High interest continued throughout the entire period, which ensured almost full loading of the plant and better results compared to those achieved in 2021. High prices of materials and especially, of energy resources, despite the state subsidies, impacted negatively on them. The military conflict between Russia and Ukraine is also having a negative impact on business because of disrupted supply chains, keeping commodity prices high.

**Ship design**

Despite the upsurge in new (mostly government) gas and container ship construction orders that began 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, 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 and with what engines. The development of alternatives is still at an early stage. There is also no clear time horizon in which owners can operate their ships without the need for additional investment to meet the dynamically changing environmental regulations. The demand for retrofit ballast design services is gradually decreasing due to the approaching deadline for retrofitting the fleet in operation. In addition, the war in Ukraine and its negative effects on global economy are forcing shipowners to reconsider their investment intentions for new, as well as reconstruction and renovation of existing, vessels.

On the other hand, trends are emerging, stimulating the demand for design services from the beginning of 2022. Activity in coastal areas is recovering. New vessels are being sought for the fishing industry as well as general purpose offshore vessels. Interest in specialised vessels (new and retrofit) for construction and maintenance of offshore wind farms is expected to grow gradually. There is also interest in the conversion of vessels – either changing their purpose or increasing their functionality.

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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 2022 summer tourist season has had a positive impact on the sector. Despite the demand for such ships, including design services, orders remained at low levels. Shipowners and financing institutions are cautious. Because of the general uncertain situation, fuelled by high inflation and the coming recession, agreed projects have been postponed yet before their start.

The management of IHB Shipdesign monitors the trends in the development of the environmental protection policy. From this year, the so-called hybridization of ships began to develop, aiming to reduce fuel costs. It is planned to increase the share of ships that will be modernized in order to decarbonize and reduce carbon emissions. 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** (BRS, the Register) reports revenue growth in the first nine months 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 has also had a positive effect on the BRS financial results.

The main work on the agreed at the end of 2021 supervision for assigning a class to a training and research ship of N. Y. Vaptsarov Naval Academy was completed. It is expected that the certification will take place by the end of the year.

At the beginning of 2022, the procedure on authorisation of BSR by the Maritime Administration Executive Agency to inspect ships sailing inland waterways was completed. 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 the Register. The company reported growth in inspections of ships on the Danube River have increased as a safe waterway for the cargo flow to Central Europe.

In the latest publication of the 2022 Paris Memorandum on the performance of the Recognized Organizations, BSR preserved its average performance position for another year, reported an improvement in indicators and a rise in the ranking, a good sign for attracting new customers and applying for approval by new Flags Administrations. The management's efforts are focused on attracting new agents and shipowners, developing and offering additional services to the main ones. During the reporting period, a contract was signed with the Administration of Belize. A procedure had also been launched with the Administration of Sierra Leone. A new contract was signed with an agent who will promote the BSR activities in Egypt. Negotiations are also underway for an agency contract with representatives from Greece.

#### **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 mostly by the harvest in the country.

Initial expectations for good yields in the new agricultural season in our country stimulated the export of last year's grain at inflated prices in the second quarter of 2022. Despite the relatively good yields in the new season, the expectations of strong exports in the third quarter did not come true. The opening of the grain corridor and the low prices of Ukrainian and Russian grain, in combination with the higher cost of the new harvest in our country due to the high prices of fertilizers, had had a negative impact on exports through Bulgarian ports. Domestic producers refrained from selling in anticipation of better conditions on the global market. Small shiploads from Ukraine were imported, slightly stimulating trading in cereals, mainly on the domestic market. The increased size of shipping lots sought continues to have an adverse effect on the activity and performance of small terminals.

The recovery of metal volumes 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 conflict

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in Ukraine, a major regional producer of iron ore and steel, and global sanctions against Russia, are also having an impact on this type of cargo. Traders are seeing high activity, increasing their stock to be able to maintain an active role in the market and in anticipation of higher prices. A slight increase in metal cargoes is possible until the end of the year due to the fulfilment of quotas.

The terminals in the regions of Varna and Burgas are focusing their efforts on building new capacities and storage facilities aiming at improving and accelerating the processing of cereals and other cargo, which in turn strengthens the competitive environment.

**Bulport Logistics** offers services in the field of small and mid-sized vessels and yachts mooring, small vessels docking for repairs, as well as the rental of offices and areas for storage and production activities. The changed work organisation due to the pandemic in combination with continuing uncertainty and high prices of energy resources impact negatively on the demand for office space and repairs of small vessels in the past period of 2022, despite the state subsidies.

The focus of the company is directed towards the development of its warehousing and logistics business by gradually repairing and improving the technical condition of the existing buildings and sites, developing and improving the infrastructure of the area with the aim to attract new customers. The company is actively working on moving, fixing and servicing the existing pontoons, and building a new yacht yard.

**Machine building**

The overall uncertain situation in 2022, fuelled by rising inflation, long lead times and coming recession have cooled the investment activity of the customers of **ZMM Bulgaria Holding** and its subsidiaries, and reduced the number of orders for metal cutting machines offered by the Group. The broad market diversification of the machine-building group and the 2021 excessive orders that are being fulfilled this year are expected to help keep production and realization levels stable in 2022, albeit lower than 2021. The conflict in Ukraine adds further volatility to customers' investment intentions and results in massive increases of supplier prices due to disrupted supplies of materials and key components, and increases demand for alternative suppliers. Despite the difficulties, orders have been agreed that the group team is to fulfil in 2023.

The prices of machines manufactured, adjusted from the beginning of 2022, in combination with the ability to use own electric power generated by the existing solar power plants of the Group and the state subsidies, compensate partially the negative effect on profitability of high prices of basic commodities and record high energy prices.

It is envisaged to continue 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 30 September 2022.

As at 30 September 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 of 30 September 2022: 65,526,988 shares held directly, representing 67.69% of the capital

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

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 September 2022: 41,044 shares held directly, representing 0.04% of the capital and through related parties 9,658,520 shares held directly, representing 9.98% of the capital, or directly and through related parties in total 9,699,564, representing 10.02% 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 of 30 September 2022: 646 shares held directly, representing 0.0006% of the capital and through related parties 9,698,918 shares held directly, representing 10.02% of the votes, and controlled through Bulls AD 65,526,988 shares held directly, representing 67.69 % of the capital, or directly and through related parties and through controlled parties 75,226,552, representing 77.71 % 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.

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**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**

There is no such circumstance.

**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. 100o<sup>1</sup>, par. 4 of POSA.

**Daneta Zheleva**  
**Chief Executive Officer**  
**Industrial Holding Bulgaria PLC**

**Ivan Rashkov**  
**Chief Accountant**

**Vladislava Zgureva**  
**Investors Relations Director**