



INDUSTRIAL HOLDING BULGARIA PLC

**PUBLIC NOTIFICATION FOR FINANCIAL POSITION
ON A NON-CONSOLIDATED BASIS
30 SEPTEMBER 2023**

CORPORATE INFORMATION

Industrial Holding Bulgaria PLC (the Company) is a joint stock company (PLC), registered in the Republic of Bulgaria on Company File number 13081 / 1996 with headquarters and registered office at 42 Damyan Gruev Str., Sofia, Bulgaria. The financial year of the Company ends on 31 December.

Initially, the Company has been established as a Privatisation Fund according to the Privatisation Funds Act under the company name Privatisation Fund Bulgaria PLC.

The General Meeting of Shareholders held on 27 February 1998 passed a decision to reorganize the activities of Privatisation Fund Bulgaria PLC into a holding company and to rename it from Privatisation Fund Bulgaria PLC to Industrial Holding Bulgaria PLC. The Company's capital amounts to BGN 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 existence of the Company shall be perpetual and the Company is not limited by other resolute condition.

Industrial Holding Bulgaria is entered into the Commercial Register kept by the Registry Agency under Unified Identification Code 121631219. The Company is registered in compliance with the Value Added Tax Act. The shares of the Company are listed on Bulgarian Stock Exchange AD, Sofia.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 2023

in BGN'000	30 September 2023	30 September 2022
Interest and dividend income	8,619	8,808
Other income, net	19	57
	8,638	8,865
Employee benefit expenses	(580)	(507)
Hired service expenses	(163)	(128)
Other operating expenses	(180)	(210)
Operating profit	7,715	8,020
Finance income	303	2,091
Finance costs	(171)	(158)
Operating profit before taxes	7,847	9,953
Income tax (expense)/benefit	-	(2)
Profit for the period	7,847	9,951
Other comprehensive income / (loss)		
Total comprehensive income for the period, net of taxes	7,847	9,951

SEPARATE STATEMENT OF FINANCIAL POSITION

As of 30 September 2023

in BGN'000	30 September 2023	31 December 2022
Assets		
Non – current assets		
Non-current tangible and intangible assets	169	122
Right-to-use assets	660	35
Investments in subsidiaries	194,138	194,138
Loans to related parties	48,204	46,135
Differed tax asset	5	5
Total non-current assets	243,176	240,435
Current assets		
Loans to related parties	1,333	693
Trade and other receivables	2,253	456
Other current financial assets	12,145	-
Cash and cash equivalents	26,114	27,264
Total current assets	41,845	28,413
TOTAL ASSETS	285,021	268,848
Equity and liabilities		
Equity		
Share capital	96,808	96,808
Share premium	31,016	31,016
Statutory and other reserves	9,661	9,661
Retained earnings	130,141	122,294
Total equity	267,626	259,779
Non-current liabilities		
Interest-bearing loans	13,747	5,083
Loans from related parties	591	591
Lease liabilities	602	-
Retirement benefit liabilities	45	45
Total non-current liabilities	14,985	5,719
Current liabilities		
Interest-bearing loans	2,293	3,270
Loans from related parties	20	3
Lease liabilities	66	33
Trade and other payables	31	44
Total current liabilities	2,410	3,350
Total liabilities	17,395	9,069
TOTAL EQUITY AND LIABILITIES	285,021	268,848

SEPARATE STATEMENT OF CASH FLOWS

For the period ended 30 September 2023

in BGN'000	30 September 2023	30 September 2022
Operating activity		
Dividends received	3,899	2,165
Cash loans repaid from related parties	13,236	22,239
Cash loans to related parties	(15,879)	(9,529)
Interest received on loans to related parties	1,003	926
Cash paid on the acquisition of stocks and shares	-	(2,820)
Proceeds from reduction of the capital of a subsidiary	-	3,092
Received liquidation shares	-	28
Interest received on bank deposits	548	18
Provided guarantees	-	(4,354)
Proceeds from customers	12	40
Employee benefit related payments	(585)	(560)
Other proceeds / (payments), net	(245)	(288)
Foreign exchange differences	(101)	2,089
Net cash flows from operating activity	1,888	13,046
Investing activity		
Purchase of non-current tangible and intangible assets	(78)	-
Sale of non-current tangible and intangible assets	9	25
Purchase of government securities	(11,523)	-
Net cash flows used in investing activity	(11,592)	25
Financing activity		
Bank loans received	7,684	7,301
Principal paid on bank loans	-	(2,608)
Interest and charges paid on bank loans	(132)	(97)
Loans and deposits from related parties	1,099	2,373
Repaid loans and refunded deposits from related parties	-	(2,608)
Interest paid on loans and deposits from related parties	-	(15)
Lease liabilities paid	(68)	(124)
Interest paid on leases	(11)	(1)
Other proceeds and payments	2	(10)
Net cash flows used in financing activity	8,574	4,211
Net increase of cash and cash equivalents	(1,130)	17,282
Cash and cash equivalents on 1 January	27,244	3,644
Cash and cash equivalents on 30 September	26,114	20,926

SEPARATE STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2023

	Share capital	Decrease in share capital pending registration	Treasury shares redeemed	Share premium	Statutory and additional reserves	Retained earnings	Total
in BGN'000							
On 1 January 2022	107,400	(10,592)	-	31,016	9,661	112,158	249,643
Comprehensive income for the period							
Profit for the period	-	-	-	-	-	9,951	9,951
Total comprehensive income for the period	-	-	-	-	-	9,951	9,951
Transactions with shareholders recognised in equity							
Registration of capital reduction	(10,592)	10,592	-	-	-	-	-
Total transactions with shareholders	(10,592)	10,592	-	-	-	-	-
On 30 September 2022	96,808	-	-	31,016	9,661	122,109	259,594
On 1 January 2023	96,808	-	-	31,016	9,661	122,294	259,779
Comprehensive income for the period							
Profit for the period	-	-	-	-	-	7,847	7,847
Total comprehensive income for the period	-	-	-	-	-	7,847	7,847
Transactions with shareholders recognised in equity							
On 30 September 2023	96,808	-	-	31,016	9,661	130,141	267,626

1. INTEREST AND DIVIDEND INCOME

in BGN'000	30 September 2023	30 September 2022
Dividend income	6,755	8,063
Interest income on loans – related parties	1,069	727
Interest income on bank deposits	578	18
Interest income on short-term government securities	217	-
	8,619	8,808

Dividend income of BGN 6,755 thousand was reported as of 30 September 2023 (the first nine months of 2022: BGN 8,063 thousand), distributed by:

in BGN'000	30 September 2023	30 September 2022
ZMM Bulgaria Holding EAD	4,295	3,678
Privat Engineering EAD	-	2,266
KRZ Port Burgas AD	1,405	1,405
IHB Shidesign AD	798	455
Maritime Holding AD	257	259
	6,755	8,063

2. EMPLOYEE BENEFIT EXPENSES

in BGN'000	30 September 2023	30 September 2022
Wages and salaries	(502)	(440)
Social insurance costs and other social payments	(78)	(67)
	(580)	(507)

3. OTHER OPERATING EXPENSES

in BGN'000	30 September 2023	30 September 2022
Depreciation / amortisation expenses	(101)	(152)
Costs of materials	(27)	(27)
Other operating expenses	(52)	(31)
	(180)	(210)

4. FINANCE INCOME И FINANCE COSTS

in BGN'000	30 September 2023	30 September 2022
Foreign exchange gains, net	303	2,091
Finance income	303	2,091

in BGN'000	30 September 2023	30 September 2022
Interest expenses on a bank loan	(123)	(79)
Interest expenses on loans and deposits from related parties	(21)	(26)
Interest expenses on leases	(12)	(1)
Bank charges on loans	(12)	(19)
Other finance costs	(3)	(33)
Finance costs	(171)	(158)

5. INCOME TAX

The Company owes no income taxes for the periods ended 30 September 2023 and 30 September 2022.

The reconciliation of income tax expenses and the accounting profit multiplied by the applicable rate for the periods ended 30 September 2023 and 30 September 2022 is as follows:

in BGN'000	30 September 2023	30 September 2022
Profit before taxes	7,847	9,953
Income tax expense at the applicable tax rate of 10% (2022: 10%) in relation to the Group's accounting profit	(785)	(995)
Income, exempt from taxation – dividends	676	806
Utilisation of tax losses for which no deferred tax assets were recognised	109	187
Other movements in temporary differences	-	-
Income tax expense at an effective tax rate of 0 % (2022: 0 %)	-	(2)

As of 30 September 2023, the Company reported a deferred tax asset of BGN 5 thousand (as of 30 December 2022: BGN 5 thousand) on accrued retirement benefit liabilities, the leave liability, and a right-of-use asset.

6. INVESTMENTS IN SUBSIDIARIES

Investments, held by the Company as of 30 September 2023 and 31 December 2022, were as follows:

in BGN'000	Country of registration	Amount of the shareholding as of 30 September 2023	Amount of the shareholding as of 30 September 2023	Amount of the shareholding as of 31 December 2022	Amount of the shareholding as of 31 December 2022
Privat Engineering EAD	Bulgaria	48,031	100.00%	48,031	100.00%
ZMM Bulgaria Holding EAD	Bulgaria	4,795	100.00%	4,795	100.00%
KRZ Port Burgas AD	Bulgaria	4,774	99.65%	4,774	99.65%
КЛВК АД	Bulgaria	46,096	67.96%	46,096	67.96%
International Industrial Holding Bulgaria AG	Switzerland	130	100.00%	130	100.00%
Maritime Holding AD	Bulgaria	400	61.00%	400	61.00%
Bulyard Shipbuilding Industry EAD	Bulgaria	66,189	100.00%	66,189	100.00%
Odessos PBM EAD	Bulgaria	23,653	100.00%	23,653	100.00%
IHB Shidesign AD	Bulgaria	70	70.00%	70	70.00%
		194,138		194,138	

7. OTHER CURRENT FINANCIAL ASSETS

In May 2023, the Company invested in an issue of short-term zero-coupon US government securities maturing in October 2023. Government securities with a nominal value of USD 6,600 thousand were acquired for the price of USD 6,449 thousand. The yield of the issue upon its issuance was 5.044 %.

8. CASH AND CASH EQUIVALENTS

in BGN'000	30 September 2023	31 December 2022
Cash with banks-related parties	15,571	20,137
Cash with banks-others	10,542	7,107
Cash on hand	1	-
Cash and cash equivalents presented in the Statement of Cash Flows	26,114	27,244
Cash restricted as collateral on bank guarantee	-	20
Cash and cash equivalents presented in the Statement of Financial Position	26,114	27,264

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 contracted short-term deposits (maturing within 3 months).

9. INTEREST-BEARING LOANS

Non-current portion of long-term interest-bearing loans

in BGN'000	Currency	Interest rate %	Maturity	30 September 2023	31 December 2022
Bank loan contract No. 22F-000155 of 24 February 2022	EUR	1.40%	2029	13,747	5,083
				13,747	5,083

Current portion of long-term interest-bearing loans

in BGN'000	Currency	Interest rate %	Maturity	30 September 2023	31 December 2022
Bank loan contract No. 22F-000155 of 24 February 2022	EUR	1.40%	2029	2,293	3,270
				2,293	3,270

in BGN'000		30 September 2023	31 December 2022
Principal payable		16,033	8,349
Interest payable		7	4
		16,040	8,353

Bank Loan Contract No. 22F-000155 was concluded to secure loan funds for investments of a subsidiary that is also a co-debtor under the contract, and guarantors are other subsidiaries. The contract is secured by mortgages on real estate (land and buildings) of the subsidiary implementing the investment project. In January 2023, Industrial Holding Bulgaria PLC signed an annex to the contract through which it changed the term of loan utilization until February 2024, the deadline for loan repayment to February 2029, and the date of the first repayment instalment – 20 March 2024.

Under Bank Loan Contract No. 22F-001225 concluded with a commercial bank of Industrial Holding Bulgaria AD, a total limit for working capital financing, issuance of bank guarantees and letters of credit to the Holding and/or its Group companies in the amount of up to BGN 12,000 thousand has been granted. A floating interest rate in the amount of: (a) for loans denominated in EUR – a one-month EURIBOR + 1.2%, but not less than 1.2%; (b) for loans denominated in BGN – the reference interest rate of the financing bank + 1.2%, but not less than 1.2%, was agreed under the contract. The facility is secured by mortgages on real estate (land and buildings) of a Group company, which is also a guarantor under the loan.

10. LEASE

In November 2022, Industrial Holding Bulgaria signed a new office rental agreement with a company under joint control of the persons exercising control for a 10-year term. The contract enters into effect from February 2023. In April 2023, the previous office rental agreement was terminated.

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

Lease liability

in BGN'000	30 September 2023	31 December 2022
Balance at the beginning of the period	33	166
Newly-occurred lease liabilities in the period	708	-
Recalculation of the lease liabilities due to modification	-	33
Non-monetary payment of lease liabilities during the period	(6)	-
Interest expenses for the period	12	1
Lease payments for the period	(79)	(167)
Balance at the end of the period	668	33
Long-term portion	602	-
Short-term portion	66	33

11. EQUITY

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

in BGN'000	30 September 2023	31 December 2022
96,808,417 ordinary shares with a nominal amount of BGN 1 each	96,808	96,808
	96,808	96,808

As of 30 September 2023, 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.

The shareholders of Industrial Holding Bulgaria PLC holding directly more than 5% of the company's capital as of 31 September 2023 are as follows:

in BGN'000	Number of shares as of 30 September 2023	30 September 2023
BULLS AD	65,871,745	68.04%
DZH AD	9,657,874	9.98%
Other natural persons and legal entities	21,278,798	21.98%
	96,808,417	100.00%

Treasury shares redeemed

By a decision of the General Meeting of Shareholders of Industrial Holding Bulgaria PLC of 18 November 2021, a new procedure 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 of 30 September 2023.

12. RELATED PARTY DISCLOSURES

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 68.04% 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 of 30 September 2023 and 31 December 2022 are disclosed in Investments in subsidiaries.

- Subsidiaries in which the Company holds indirect control
IHB Metal Castings EAD, ZMM Nova Zagora AD and ZMM Sliven AD and are indirect subsidiaries of Industrial Holding Bulgaria PLC because they are subsidiaries of ZMM Bulgaria Holding EAD, a direct subsidiary of Industrial Holding Bulgaria PLC. Karvuna Ltd. is an indirect subsidiary because it is a subsidiary 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:

12.1. RECEIVABLES FROM AND PAYABLES TO RELATED PARTIES

Loans to related parties

in BGN'000		30 September 2023	31 December 2022
Subsidiaries	Non-current portion of long-term loans	48,204	46,135
		48,204	46,135
	Current portion of long-term loans	1,133	92
	Short-term loans	200	601
		1,333	693
		49,537	46,828
	Principal	49,378	46,735
	Interest	159	93

The loans granted are secured by promissory notes, except for the loans extended to Odria Ltd in the amount of BGN 6,603 thousand and that to Karvuna Ltd of BGN 2,224 thousand, both secured by a sea mortgage on m/v Dimond Sky and m/v Karvuna, owned by the subsidiaries.

Trade and other receivables

in BGN'000		30 September 2023	31 December 2022
Subsidiaries	Dividends	1,911	158
Entities, over which the persons that have control exercise also significant influence or are members of their key management personnel	Prepayments	-	9
	Interest on bank deposits	95	84
Entities under joint control of the persons exercising control	Deposit under a rental agreement	6	12
		2,012	263

Cash with banks - related parties

in BGN'000		30 September 2023	31 December 2022
Entities, over which the persons that have control exercise also significant influence or are members of their key management personnel		15,571	20,137
		15,571	20,137

Loans from related parties

in BGN'000		30 September 2023	31 December 2022
Persons exercising control	Non-current portion of long-term loans	591	591
	Current portion of long-term loans	20	3
		611	594
	Principal	591	591
	Interest	20	3

In 2022, Industrial Holding Bulgaria PLC received a loan from a person exercising control maturing in 2028 and bearing an interest rate of EURIBOR +1%, but not less than 1%.

Lease liabilities under contracts with related parties

in BGN'000		30 September 2023	31 December 2022
Entities under joint control of the persons exercising control		668	-
Balance at the period-end		668	-
Long-term portion		602	-
Short-term portion		66	-

The fee due for the term under a lease contract concluded with a company under joint control of the persons exercising control in 2023 is BGN 52 thousand and the cash outflow is BGN 46 thousand.

12.2. RELATED PARTY TRANSACTIONS**Sales transactions**

in BGN'000		30 September 2023	30 September 2022
Dividend income			
	Subsidiaries	6,755	8,063
Rental income			
	Subsidiaries	10	33
Revenue from sales of fixed assets			
	Subsidiaries	1	14
		6,766	8,110

Purchase transactions

in BGN'000		30 September 2023	30 September 2022
Purchase of shares			
	Subsidiaries	-	2,820
Hired service expenses			
	Entities under joint control of the persons exercising control	10	-
	Entities, over which the persons that have control exercise also significant influence or are members of their key management personnel	-	10
Other expenses			
	Entities under joint control of the persons exercising control	16	-
Other finance costs			
	Entities, over which the persons that have control exercise also significant influence or are members of their key management personnel	2	2
		28	2,832

Loans to related parties

in BGN'000		Loans granted	Non-monetary increase/ (decrease)	Received principal	Interest income	Received interest
Subsidiaries	30 September 2023	(15,879)	-	13,236	1,069	1,003
Subsidiaries	30 September 2022	(9,529)	-	22,239	727	926
	30 September 2023	(15,879)	-	13,236	1,069	1,003
	30 September 2022	(9,529)	-	22,239	727	926

Loans granted as of 30 September 2023 mature in 2024-2029. The agreed interest rates vary from 3.5% to 5.35%. An exception is an investment loan granted to a subsidiary, which bears an interest rate of 1.6%; the loan was financed by a target bank loan.

Interest income on deposits provided by Industrial Holding Bulgaria PLC to a bank – related party (entities, over which the persons that have control exercise also significant influence or are members of their key management personnel) in the first nine months of 2023 amounts to BGN 441 thousand. The interest paid by the bank during the period amounted to BGN 430 thousand.

Loans from related parties

in BGN'000		Received loans	Non-monetary increases/ (decreases)	Reimbursed principal	Interest expenses	Paid interest
Exercising control	30 September 2023	-	-	-	(17)	-
Exercising control	30 September 2022	978	-	-	(7)	-
	30 September 2023	-	-	-	(17)	-
	30 September 2022	978	-	-	(7)	-

Deposits from related parties

in BGN'000		Received deposits	Non-monetary increases/ (decreases)	Reimbursed principal	Interest expenses	Paid interest
Subsidiaries	30 September 2023	1,099	(1,103)	-	(4)	-
Subsidiaries	30 September 2022	1,395	(6,144)	(2,608)	(19)	(15)
	30 September 2023	1,099	(1,103)	-	(4)	-
	30 September 2022	1,395	(6,144)	(2,608)	(19)	(15)

Non-monetary movements in deposits from related parties are a set off of the liabilities under these deposits against receivables of the Company on shareholding during the relevant period.

Terms and conditions of related party transactions

The sales to and purchases from related parties are made on contractual terms. Outstanding balances at the year-end are unsecured (except for loans) and interest free (except for loans) and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. Based on an analysis of the recoverability of its receivables from related parties, the Company has recognised no impairment losses as of 30 September 2023 (2022: Nil). An impairment testing is carried out at the end of each financial year based on an analysis of the financial performance and creditworthiness of the related party, and the market in which the related party operates.

13. COMMITMENTS AND CONTINGENCIES

Legal claims

No legal claims have been brought against the Company.

Guarantees

Under Contract No. 22F-001225 signed with a commercial bank, a loan for granting a total limit for working capital financing, issuance of bank guarantees and letters of credit of the Holding and/or Group entities with a limit of up to BGN 12,000 thousand, as of 30 September 2023:

- a letter of guarantee was issued to cover a liability of KRZ Port Burgas AD amounting to BGN 6,000 thousand (31 December 2022: BGN 6,000 thousand);
- bank guarantees were issued to Group companies, namely IHB Metal Castings AD for BGN 20 thousand and ZMM Nova Zagora for BGN 143 thousand (31 December 2022: BGN 20 thousand).

The unutilised limit under Contract No. 22F-001225 amounted to BGN 5,837 thousand as of 30 September 2023.

Collateral

In connection with Bank loan contract number 22F-000155 of 24 February 2022, obtained for the purpose of securing loan funds for investments of a subsidiary, a financial collateral agreement was signed by way of a pledge of receivables providing for a right of use over all its accounts with the creditor bank in the amount of the loan liability at the relevant time.

In connection with Bank loan contract number 22F-001225 of 07 November 2022, obtained for the purpose of securing a total limit for working capital financing, issuing bank guarantees and letters of credit, a financial collateral agreement was signed by way of a pledge of receivables providing for a right of use over all its accounts with the creditor bank in the amount of the loan liability at the relevant time.

14. DESCRIPTION OF THE MAJOR RISKS AND UNCERTAINTIES FACED BY THE COMPANY

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

Non-systematic risks specific to the Company

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

As the activity of IHB relates to the management of other companies' assets, it is exposed to the Group subsidiaries' industry risks. The Holding's investments are focused on businesses characterised by the slow rotation of funds invested (machine-building), dependence on energy and other resources (machine-building, ship repair, maritime transport), and high cyclicity (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

Globalisation 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, 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 from natural disasters

Like many other regions of the world, Bulgaria is exposed to almost all risks related to climate change. Natural disasters such as floods, earthquakes, etc., resulting from these risks can cause both loss of human life and large financial losses, significantly affecting economic stability and growth. The impact of such events can often go beyond the borders of the country in which they occur and threaten large-scale territories in neighbouring countries.

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 commodity in the industry and a 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 on machine building, shipbuilding and ship repair, while port operations depend to a greater extent on the developments both in the domestic market and the region.

Risk of political instability in traditional markets and regions, military activities and/or penalties imposed

This risk stems from future changes in economic policy imposed by objective economic or political circumstances - continuing war conflicts around the world, political uncertainty in many places, sanctions and restrictions imposed on trade with a number of countries, refugee flows. This risk impedes the free movement of goods and people, and leads to a change in trade flows and transport corridors; moreover, it hampers the access of registry inspectors to supervised vessels. The risk also affects the machine building industry by reducing sales volumes on traditional markets. The military actions in Ukraine have the most severe effect. It affects negatively both the sales and the supplies of the Group companies.

Risks associated with fraud and abuse

The changing environment in combination with the expanding use of new technologies have intensified the risk of fraud and abuse, including the risk 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.

It is a policy of the Group to comply with its 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, as well as investing in environmentally friendly technologies (related to RES, equipping own ships with ballast systems, reducing carbon emissions from the Group's fleet, etc.).

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 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 intensified. The broken supply chains due to COVID-19 and the war in Ukraine, affected the growth of international prices of commodities and goods and fuelled 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. Despite the slowdown in price pressure in 2023 and the normalization of the prices of energy sources, the effect cannot be transferred directly to end customers and affects the profitability of the products produced and the 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 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, and 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, a close cooperation with the academic society in the country, and search for opportunities to attract foreign workers.

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.

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, a trend that continues in 2023 as well.

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 intensifies. These risks cannot be managed and controlled by the management team.

15. TRENDS FOR BUSINESSES, IN WHICH THE GROUP COMPANIES OPERATE

Maritime transport

In the first nine months of 2023, the shipping market declined due to reduced tonnage demand and lower freight rates compared to 2022 as a result of disruptions caused by the war in Ukraine, global sanctions against Russia and the stunted growth rate of the Chinese economy. Because of the continuing uncertainty fuelled by rising interest rates and the reduction of tonnage in operation runs at a slow pace. These factors had a negative impact on orders for new bulk vessels. The impact of 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 and foreign crews. Their recruitment is difficult due to the convertible nature of their professions.

All vessels of the IHB fleet have ballast systems installed. In 2023, work continues in accordance with the new requirements of the International Maritime Organization (IMO) related to carbon intensity - the Energy Efficiency Index of Existing Ships (EEXI) aimed at their technical efficiency and the Carbon Intensity Indicator (CII) aimed at to their operational efficiency. In the coming years, the impact of new regulations for the reduction of carbon dioxide emissions in the atmosphere is to be assessed.

Ship building and ship repair

The decline in the freight market and the expiry of the statutory deadline for the implementation of projects for the installation of ballast systems have boosted **Bullard Shipbuilding Industry's** orders from early 2023. In the last quarter, the ship repair market in China has become active again, with a downward trend in the prices of the services offered. This has led to the release of slots in Türkiye's shipyards, which in turn has intensified competition in the Black Sea and Eastern Mediterranean region. The drop in the price of electricity in 2023 has minimal net effect due to the initially reduced and then discontinued government compensation. Hired service costs and costs of technical gases account for growth. Disrupted supply chains combined with rising interest rates are keeping material prices high.

The military conflict between Russia and Ukraine creates the perception of additional risk for ships in the Black Sea basin.

Ship design

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 changing environmental regulations. The demand for retrofit ballast design services is decreasing due to the approaching deadline for retrofitting the fleet in operation. 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 interest to design services. Activity in coastal areas is growing. Vessels are being sought for the fishing industry and general-purpose offshore vessels. Interest in specialised vessels for construction and maintenance of offshore wind farms, as well as in the conversion of vessels – either changing their purpose or increasing their functionality, is expected to grow.

The passenger ship market is dependent on the development of various factors. 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 are yet at low levels. Shipowners and financing institutions are cautious. Because of the general uncertain situation, fuelled by inflation and rising interest rates, agreed projects have been postponed yet before their start.

The management of **IHB Shipdesign** monitors the trends in the environmental protection policy. It is planned to increase the share of ships that will be retrofitted in order to decarbonize and reduce carbon emissions. Development of the so-called hybridization of ships, aiming to reduce fuel costs, as well as increased demand for engineering services to bring ships into operation in accordance with the requirements of EEXI and CII/IMO regulations effective from the beginning of 2023, is expected.

Classification and certification

The Bulgarian Ship Register (BRS, the Register) reports a slight decline in revenue in the first nine months of 2023 compared to the same period of 2022. The decrease in revenue from foreign shipowners is a consequence of the postponement of ship inspections due to the busyness of ship repair plants and the delay in cargo handling caused by the crisis in Ukraine. Revenue from the domestic market has preserved their levels, but the absence of new construction supervision projects is limiting their growth potential.

The management's efforts are aimed at attracting new agents and shipowners, developing and offering additional services supplementing the main ones. The Register provides its clients an additional service in connection with the requirements of the EEXI and CII/IMO regulations effective from the beginning of 2023. In this regard, the technical documentation of most of the ships in the BRS' fleet has been reviewed and approved. It is expected that the documents of the other supervised vessels, for which the requirements are in force, will also be gradually inspected.

In the latest publication of the Paris Memorandum on the performance of the Recognised Organisations, BSR was classified in the group of Organisations demonstrating a high level of performance. The performance position is a good precondition for attracting new customers and applying for approval by new Flag Administrations. During the third quarter of 2023, BSR passed successfully an audit by the Flag Administration of Beliz and a contract is to be signed at the beginning of the next year. By the end of October 2023, the Register will be audited by the Flag Administration of Siera Leone as well.

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 mainly by the harvest in the country. The open grain corridor and imports of Ukrainian grain ensured domestic sales in the first quarter. Re-export deals were also realised. In the second quarter, more active export of cereals began, mainly from the retained last year's harvest. Yields in the new agricultural season in our country are weaker than expected. The military conflict continues to have a negative impact on cargo exports through the ports.

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 imports from third countries. Despite observing a partial increase in the volumes of this type of cargo in the first half of the year, the decreasing investment activity is expected to have a negative impact on their demand and, consequently, on the cargo turnover in the following months.

The terminals in the regions of Varna and Burgas are focusing on building new capacities and storage facilities to improve and accelerate the processing of cereals and other cargo, which strengthens the competitive environment. The two terminals of the Group are also gradually expanding their capabilities. In Odessos PBM, the first stage of the port expansion is being implemented - the construction of a new quay wall, and the second stage – the construction of the necessary storage facilities n- will commence in the last quarter of the year. At the end of March 2023, KRZ Port Burgas received a building permit for its project, and the construction activities began.

Bulport Logistics offers services to small and mid-sized vessels and yacht mooring, small vessels docking for repairs, and the rental of offices and areas for storage and production activities. The gradual abatement of the effects of the pandemic has increased the demand for production premises combined with office space, primarily from foreign companies.

The Company has focused on developing its warehousing and logistics activities by gradually renovating and improving the technical condition of existing buildings and sites, developing and upgrading the area's infrastructure to meet changing trends in demand.

The Company is also working on expanding the services offered to customers. In front of the business building is a parking lot for 160 cars, a fast-charging station with a capacity of 50 kW and a two-connector fast-charging station with a capacity of 150 kW, available at all times of day or night. The heating of two of the buildings is solved entirely with geothermal energy extracted from a mineral spring.

Machine Building

The overall economic situation, fuelled by the rise in interest rates, had a restrictive effect on the investment activity of the clients of **ZMM Bulgaria Holding and its subsidiaries**. The impact of the practically abandoned Russian market of metal-cutting machines also persists. From the beginning of the second quarter of 2023, a recovery in customer demand began, and in the third quarter, the orders stabilised to close to average levels. The trend towards increasing the share of heavier and longer metal cutting machines the Group offers. An additional factor with a positive influence is the reduction of lead times.

The adjusted prices of the machines manufactured in 2022, in combination with the option to use electricity from the operating own solar plants of the Group, partially reduce the negative effect of inflation on the profitability of the offered products.

16. 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 2023.

As of 30 September 2023, 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 2023: 65,871,745 shares held directly, representing 68.04% 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 2023: 9,657,874 shares held directly, representing 9.98% 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 2023: 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 2023: 646 shares held directly, representing 0.0007 of the capital and through related parties 9,698,918 shares held directly, representing 10.02% of the votes, and controlled through Bulls AD 65,871,745 shares held directly, representing 68.04% of the capital, or directly and through related parties and through controlled parties 75,571,309, representing 78.06% of the capital.

Dimitar Georgiev Zhelev controls Bulls AD.

Dimitar Zhelev and Daneta Zheleva are spouses.

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

There is no such circumstance.

Conclusion or performance of significant transactions

N/A

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

There is no such circumstance.

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

There is no such circumstance.

Initiation or termination of court or arbitration proceedings relating to liabilities or receivables of the Company or its subsidiary with a price of the claim of at least 10 per cent of the Company's equity

For the reporting period, there are no initiated or terminated cases in which the price of the claim amounts to or exceeds 10 percent of the equity of Industrial Holding Bulgaria PLC.

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

None.

Other circumstances deemed by the Company as being of importance to the investors in taking a decision to acquire or to continue to hold publicly offered securities

N/A

This Public Notification has been prepared in accordance with the requirements of Art. 100o1, par. 4 of POSA.

Daneta Zheleva

Chief Executive Officer

Industrial Holding Bulgaria PLC

Ivan Rashkov

Chief Accountant

Vladislava Zgureva

Investors Relations Director