



INDUSTRIAL HOLDING BULGARIA PLC

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

КОРПОРАТИВНА ИНФОРМАЦИЯ

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.

As at 3 September 2023, Industrial Holding Bulgaria PLC has 9 direct subsidiaries (31 December 2022: 9), 11 indirect subsidiaries (31 December 2022: 11), and 1 indirect associate (31 December 2022: Nil), collectively referred to as "the Group".

The scope of business activity of the Group includes production and trading activities in the area of heavy machinery, shipbuilding, ship repair and maritime transportation, port services, designer's services, maintenance and repair, and other services.

The duration of all Group companies shall be perpetual and the companies are not limited by other resolute condition.

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

CONSOLIDATED INCOME STATEMENT

in BGN'000	30 September 2023	30 September 2022
Revenue	89,588	107,292
Other operating income	1,790	4,151
	91,378	111,443
Change in stock of work in progress and finished products	313	2,209
Costs of acquisition and development of assets' self-construction	307	895
Costs of materials	(25,061)	(29,944)
Costs of hired services	(18,335)	(15,416)
Depreciation / amortization expenses	(10,262)	(10,419)
Costs of personnel	(26,654)	(25,187)
Other operating expenses	(2,280)	(2,029)
Operating profit	9,406	31,552
Finance income	1,485	4,093
Finance costs	(172)	(209)
Profit before tax	10,719	35,436
Income tax expense	(1,096)	(1,173)
Profit for the year	9,623	34,263
Attributable to:		
Equity holders of the parent	9,393	33,924
Non-controlling interest	230	339

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 30 September 2023

in BGN'000	30 September 2023	31 December 2022
Assets		
Non-current assets		
Property, plant and equipment	328,124	320,979
Intangible assets	2,476	2,341
Goodwill	4,329	4,329
Investment properties	15,030	14,059
Right-of-use assets	2,409	76
Deferred tax assets	43	47
Trade and other receivables	30	24
Total non-current assets	352,441	341,855
Current assets		
Inventories	19,989	21,736
Trade and other receivables	10,717	11,229
Contract assets	825	1,444
Income tax receivable	-	56
Other current financial assets	12,145	-
Cash and cash equivalents	42,361	45,374
Total current assets	86,037	79,839
Assets classified as held for sale	-	1
TOTAL ASSETS	438,478	421,695

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As of 30 September 2023

in BGN'000	30 September 2023	31 December 2022
Equity		
Share capital	96,808	96,808
Share premium	31,016	31,016
Other reserves	84,539	84,815
Reserve from foreign exchange translation of foreign operations	25,354	24,607
Retained earnings	152,206	142,576
Equity attributable to the equity owners of the parent company	389,923	379,822
Non-controlling interest	1,104	1,405
Total equity	391,027	381,227
Liabilities		
Non-current liabilities		
Interest-bearing loans	14,100	5,575
Loans from related parties	591	591
Lease liabilities	2,170	-
Trade and other payables	147	109
Government financing	1,078	1,156
Retirement benefit liabilities	826	1,025
Deferred tax liabilities	11,378	11,063
Total non-current liabilities	30,290	19,519
Current liabilities		
Interest-bearing loans	2,478	3,455
Loans from related parties	20	160
Lease liabilities	267	77
Trade and other payables	10,534	13,135
Contract liabilities	2,991	3,938
Provisions	10	10
Government financing	105	107
Income tax liabilities	756	67
Total current liabilities	17,161	20,949
Total liabilities	47,451	40,468
TOTAL EQUITY AND LIABILITIES	438,478	421,695

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2023

in BGN'000	30 September 2023	30 September 2022
Operating activity		
Proceeds from customers	92,361	106,262
Payments to suppliers	(52,040)	(49,361)
Staff remuneration related payments	(27,117)	(24,059)
Income taxes refunded/(paid)	7	(146)
Other taxes refunded /(paid), net	4,224	1,861
Foreign currency differences	(20)	3,653
Government financing received	-	704
Other proceeds / (payments), net	(1,607)	(5,764)
Net cash flows from operating activity	15,808	33,150
Investing activity		
Payments on the acquisition of fixed assets and self-constructed fixed assets	(14,665)	(14,806)
Proceeds from sale of property, plant and equipment	76	176
Acquisition of additional shareholding in subsidiaries	(32)	-
Purchase of government securities	(11,523)	-
Other payments	-	(28)
Net cash flow used in investing activities	(26,144)	(14,658)
Financing activities		
Proceeds from loans	7,684	8,719
Payments on loans	(296)	(3,187)
Payments on lease liabilities	(212)	(243)
Dividends paid	(394)	(402)
Interest paid on loans	(128)	(90)
Interest paid on lease contracts	(40)	(2)
Fees and commissions paid on loans	(12)	(19)
Interest received on bank deposits	834	-
Other proceeds / (payments), net	(114)	(73)
Net cash flow used in financing activities	7,322	4,703
Net increase in cash and cash equivalents	(3,014)	23,195
Cash and cash equivalents at 1 January	45,354	14,857
FX translation effects	21	194
Cash and cash equivalents at 30 September	42,361	38,246

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2023

in BGN'000

	Attributable to equity holders of the parent										Non-controlling interest	Total equity
	Share capital	Reduction of share capital in process of registration	Treasury shares redeemed	Share premium	Statutory and additional reserves	Revaluation reserve	Reserve from FX translation of foreign operations	Cash flow hedge reserve	Retained earnings	Total		
At 1 January 2023	96,808	-	-	31,016	4,957	79,858	24,607	-	142,576	379,822	1,405	381,227
<i>Comprehensive income for the period</i>												
Profit for the period	-	-	-	-	-	-	-	-	9,393	9,393	230	9,623
Other comprehensive income for the period	-	-	-	-	-	-	747	-	-	747	-	747
<i>Total comprehensive income for the period</i>	-	-	-	-	-	-	747	-	9,393	10,140	230	10,370
Transactions with shareholders recognised in equity												
Distribution of profits to reserves	-	-	-	-	(279)	-	-	-	279	-	-	-
Dividends distributed	-	-	-	-	-	-	-	-	-	-	(512)	(512)
Shareholding acquisition	-	-	-	-	6	4	-	-	(49)	(39)	(19)	(58)
Total transactions with shareholders	-	-	-	-	(273)	4	-	-	230	(39)	(531)	(570)
Transfer of revaluation reserve to retained earnings	-	-	-	-	-	(7)	-	-	7	-	-	-
At 30 September 2023	96,808	-	-	31,016	4,684	79,855	25,354	-	152,206	389,923	1,104	391,027

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2022

in BGN'000

	Attributable to equity holders of the parent										Non-controlling interest	Total equity
	Share capital	Reduction of share capital in process of registration	Treasury shares redeemed	Share premium	Statutory and additional reserves	Revaluation reserve	Reserve from FX translation of foreign operations	Cash flow hedge reserve	Retained earnings	Total		
At 1 January 2022	107,400	(10,592)	-	31,016	5,124	79,824	16,409	-	118,735	347,916	2,229	350,145
<i>Comprehensive income for the period</i>												
Profit for the period	-	-	-	-	-	-	-	-	33,924	33,924	339	34,263
Other comprehensive income for the period	-	-	-	-	-	-	21,207	-	-	21,207	-	21,207
<i>Total comprehensive income for the period</i>	-	-	-	-	-	-	21,207	-	33,924	55,131	339	55,470
<i>Transactions with shareholders recognised in equity</i>												
Distribution of profits to reserves	-	-	-	-	(330)	-	-	-	330	-	-	-
Dividends distributed	-	-	-	-	-	-	-	-	-	-	(383)	(383)
Shareholding acquisition	-	-	-	-	163	109	-	-	120	392	(392)	-
Liquidation share paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(28)	(28)
Registration of capital reduction	(10,592)	10,592	-	-	-	-	-	-	-	-	-	-
<i>Total transactions with shareholders</i>	(10,592)	10,592	-	-	(167)	109	-	-	450	392	(803)	(411)
Transfer of revaluation reserve to retained earnings	-	-	-	-	-	(66)	-	-	66	-	-	-
Other transfers	-	-	-	-	-	-	-	-	493	493	(493)	-
At 30 September 2022	96,808	-	-	31,016	4,957	79,867	37,616	-	153,668	403,932	1,272	405,204

NOTES

1. REVENUE

in BGN'000	30 September 2023	30 September 2022
Revenue from manufacture of metal-cutting machines, components and details	28,501	25,479
Revenue from cargo transportation under voyage charter contracts	7,368	20,242
Revenue from time-charter contracts	15,704	27,830
Revenue from repair and reconstruction of ships	22,498	17,217
Revenue from designer's services	2,600	2,968
Revenue from cargo processing	7,531	7,746
Revenue from cargo storage	1,048	1,624
Quay rentals	650	521
Property rentals	1,883	1,597
Revenue from other services	1,805	2,068
	89,588	107,292

The Group's total revenue realised in the first nine months of 2023 has decreased compared to the revenue reported for the same period of 2022. Their dynamics are primarily due to the following:

- Revenue from ship charter was impacted adversely by the decrease in the freight rates vs. the comparative period.
- Revenue from ship repairs is increasing thanks to the cumulative effect of the freight market slowing down and the higher number of orders for ballast systems due to the expiry of the statutory deadline for their installation;
- Revenue from sales of metal-cutting machines, components, and details increases as a result of an increase in the share of heavier and longer machines in the sales.

in BGN'000	30 September 2023	30 September 2022
Income from government financing	242	2,388
Gain on sale of fixed assets and assets classified as held for sale	43	167
Gain on sales of materials and scrap	1,276	1,426
Income from insurance indemnities	-	17
Other income	229	153
	1,790	4,151

Income from financing reported for the period from 01 January 2023 to 30 September 2023 comprises mainly proceeds in the amount of BGN 162 thousand under the government Program for compensating the costs of electricity of consumers.

Income from financing reported for the period from 01 January 2022 to 30 September 2023 comprises mainly:

- proceeds in the amount of BGN 1,832 thousand under the government Program for compensating the costs of electricity of consumers;
- proceeds in the amount of BGN 475 thousand under the Employment Preservation Program at the Employment Agency in support of businesses and reducing the negative consequences of the spread of COVID-19.

2. COSTS OF MATERIALS

in BGN'000	30 September 2023	30 September 2022
Main materials	(13,888)	(14,217)
Fuel used un ships	(4,060)	(7,047)
Electric power	(1,976)	(4,233)
Auxiliary materials	(2,783)	(2,698)
Spare parts	(1,763)	(1,238)
Other materials	(591)	(511)
	(25,061)	(29,944)

According to its accounting policy, the Group recognises the government grants received under the government Program for compensating the costs of electricity of consumers as income from financing and does not recognise the costs of electricity offset.

3. COSTS OF HIRED SERVICES

in BGN'000	30 September 2023	30 September 2022
Port-related expenses	(1,867)	(2,950)
Services of subcontractors	(9,462)	(6,180)
Insurances	(1,408)	(1,234)
Agency services	(1,025)	(966)
Security	(743)	(684)
Repair services	(795)	(596)
Software maintenance on subscription	(434)	(570)
Civil contracts	(207)	(251)
Other costs	(2,394)	(1,985)
	(18,335)	(15,416)

Costs of services of subcontractors during the first nine months of 2023 grew primarily due to the higher loading of the Shipbuilding and Ship repair segment vs. the comparative period.

4. EMPLOYEE BENEFIT EXPENSES

in BGN'000	30 September 2023	30 September 2022
Salaries	(20,732)	(19,348)
Compulsory social insurance	(3,145)	(3,000)
Management contracts	(1,463)	(1,603)
Compulsory social and health insurance on management contracts	(83)	(86)
Unused leave accruals	-	(44)
Other personnel costs	(1,231)	(1,106)
	(26,654)	(25,187)

5. OTHER OPERATING EXPENSES

in BGN'000	30 September 2023	30 September 2022
Litigation costs, notarial and other fees	(35)	(280)
Local taxes and charges, tax on expenses	(591)	(542)
Business trip and crew replacement expenses	(1,015)	(805)
Scrap and retirement of fixed tangible assets	(373)	(128)
Provisions accrued	-	105
Other expenses	(266)	(379)
	(2,280)	(2,029)

6. FINANCE INCOME AND FINANCE COSTS

in BGN'000	30 September 2023	30 September 2022
Foreign currency gains, net	372	4,049
Interest income	1,113	44
Finance income	1,485	4,093

in BGN'000	30 September 2023	30 September 2022
Interest expenses	(67)	(100)
Other finance costs	(105)	(109)
Finance costs	(172)	(209)

7. CASH AND CASH EQUIVALENTS

in BGN'000	30 September 2023	31 December 2022
Cash with banks-related parties	30,350	36,802
Cash with banks	11,741	8,277
Cash on hand	270	275
Cash and cash equivalents presented in the Consolidated Statement of Cash Flows	42,361	45,354
Cash restricted as collateral on bank loans	-	20
Cash and cash equivalents presented in the Consolidated Statement of Financial Position	42,361	45,374

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 short-term deposits (within 3 months).

8. BANK LOANS

Long-term

in BGN'000	Currency	Interest rate, %	Maturity	30 September 2023	31 December 2022
Bank loan contract number 22F-000155 of 24 February 2022	EUR	1.40%	2029	13,747	5,083
Bank loan contract number 19F-002296 of 8 October 2019	EUR	1.60%	2026	353	492
				14,100	5,575

Short-term

in BGN'000	Currency	Interest rate, %	Maturity	30 September 2023	31 December 2022
Bank loan contract number 22F-000155 of 24 February 2022	EUR	1.40%	2029	2,293	3,270
Bank loan contract number 19F-002296 of 8 October 2019	EUR	1.60%	2026	185	185
				2,478	3,455

in BGN'000		30 September 2023	31 December 2022
Principal payable		16,571	9,026
Interest payable		7	4
		16,578	9,030

In January 2023, an annex to Bank Loan Contract No. 22F-000155, concluded for the purpose to finance investments in a project for the extension of one of the ports in the amount of EUR 10,000 thousand, was signed. By means of the annex, the term of loan utilisation was changed until February 2024, the deadline for loan repayment until February 2029, and the date of the first instalment payment until 20 March 2024, respectively.

Under Bank Loan Contract No. 22F-001225, a total limit for working capital financing, issuing of bank guarantees and opening of letters of credit was provided to the Holding and/or its Group companies in the amount of up to BGN 12,000 thousand. According to the new Contract, a variable interest rate has been agreed equal to (a) for EUR Loans: the 1M EURIBOR +1.2%, but not less than 1.2%; (b) for BGN loans – the reference interest rate of the financing bank + 1.2%, but not less than 1.2%. The Contract is secured by mortgages on the real estate of a Group company, which is also a guarantor under the Contract. The utilised limit under the Contract amounted to BGN 5,837 thousand as of 30 September 2023.

9. EQUITY

Share capital - registered

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

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

The capital of the parent company Industrial Holding PLC as of 30 September 2023 comprises 96,808,417 dematerialised registered voting shares with a nominal value of BGN 1 each, which are listed for trading on the Bulgarian Stock Exchange. The share capital is subscribed at its par and is fully paid-in. There is no preference shares and bearer's shares.

Shareholders of Industrial Holding Bulgaria PLC holding more than 5% share in the Group's capital as of 30 September 2023:

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 legal entities and natural persons	21,278,798	21.98%
	96,808,417	100.00%

Treasury shares redeemed

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

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

The appointed investment intermediary is Allianz Bank Bulgaria AD.

Industrial Holding Bulgaria PLC held no treasury shares redeemed as of 30 September 2023.

10. RELATED PARTY DISCLOSURE UNDER IAS 24

The following subsidiaries were included in the Group's consolidated financial data:

	Country of registration	30 September 2023	31 December 2022
Industrial Holding Bulgaria PLC	Bulgaria	Parent company	Parent company
Privat Engineering EAD	Bulgaria	100.00%	100.00%
ZMM Bulgaria Holding EAD	Bulgaria	100.00%	100.00%
ZMM Sliven AD	Bulgaria	95.98%	95.98%
ZMM Nova Zagora AD	Bulgaria	99.45%	99.24%
IHB Metal Castings EAD	Bulgaria	100.00%	100.00%
KRZ Port Bourgas AD	Bulgaria	99.65%	99.65%
KLVK AD	Bulgaria	100.00%	100.00%
International Industrial Holding Bulgaria AG	Switzerland	100.00%	100.00%
Maritime Holding AD	Bulgaria	61.00%	61.00%
Bulgarian Register of Shipping EAD	Bulgaria	61.00%	61.00%
Bullyard Shipbuilding Industry EAD	Bulgaria	100.00%	100.00%
IHB Shipping Co EAD	Bulgaria	100.00%	100.00%
Karvuna LTD	Marshal Islands	100.00%	100.00%
Odria LTD	Marshal Islands	100.00%	100.00%
Tirista LTD	Marshal Islands	100.00%	100.00%
Serdika LTD	Marshal Islands	100.00%	100.00%
Karia LTD	Marshal Islands	99.00%	99.00%
Bulport Logistics AD	Bulgaria	100.00%	100.00%
Odessos PBM EAD	Bulgaria	100.00%	100.00%
IHB Shipdesign AD	Bulgaria	70.00%	70.00%

In the first nine months of 2023, there was a change in Industrial Holding Bulgaria regarding the investment portfolio as a result of the participation in the incorporation of two new associated companies:

- CI NMF I Black Sea JV Holdco B.V. – a company, registered in the Netherlands, to explore the opportunities of developing projects for the production of energy from renewable sources. The share of IHB in its capital is 20%, indirectly - through International Industrial Holding Bulgaria AG. The remaining 80% is held by another company from the Netherlands;
- Drazki Varna EAD – a sole-owned subsidiary of CI NMF I Black Sea JV Holdco B.V.

The Group is of the opinion that in accordance with the definitions of IAS 24 it is a related party with:

I. Persons exercising control within the meaning of IAS 24

- BULLS AD, a company that directly holds 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. Entities under the common control of the persons exercising control (item I)

III. Entities, over which the persons that have control (item I) also exercise significant influence or are members of their key management staff

IV. Key management personnel, including the Management and Supervisory Boards

V. Associates.

11. RELATED PARTY TRANSACTIONS

Trade and other receivables from related parties

in BGN'000	30 September 2023	31 December 2022
Entities under common control of persons exercising control	23	22
Entities, over which the persons exercising control have significant influence or are members of their key management staff	185	145
	208	167

Cash with banks – related parties

in BGN'000	30 September 2023	31 December 2022
Entities, over which the persons exercising control have significant influence or are members of their key management staff	30,350	36,802
	30,350	36,802

Loans from related parties (including interest)

in BGN'000	30 September 2023	31 December 2022
Persons exercising control	611	751
	611	751
Non-current portion of long-term loans	591	591
Current portion of long-term loans	20	160
Principal	591	748
Interest	20	3

The loan liabilities of the persons exercising control were fully repaid as of the date of issue of this Public Notification.

Liabilities under lease contracts with related parties

in BGN'000	30 September 2023	31 December 2022
Entities under common control of persons exercising control	2,354	-
	2,354	-
Long-term portion	2,122	-
Short-term portion	232	-

The fee due under a lease contract concluded with an entity under the common control of the persons exercising control for the first nine months of 2023 amounts to BGN 184 thousand, while the cash outflow is BGN 163 thousand.

Trade and other payables to related parties

in BGN'000		30 September 2023	31 December 2022
Entities under common control of persons exercising control		5	-
Entities, over which the persons exercising control have significant influence or are members of their key management staff		9	9
		14	9

Purchase and sale transactions – related parties

in BGN'000		30 September 2023	30 September 2022
Revenue from contracts with customers			
	Entities, over which the persons exercising control have significant influence or are members of their key management staff	52	35
Rental income			
	Persons exercising control	-	1
	Entities under common control of persons exercising control	-	3
	Entities, over which the persons exercising control have significant influence or are members of their key management staff	65	55
Other income			
	Persons exercising control	4	2
	Entities, over which the persons exercising control have significant influence or are members of their key management staff	5	15
		126	111

in BGN'000		30 September 2023	30 September 2022
Costs of materials	Entities under common control of persons exercising control	22	-
Costs of hired services	Entities under common control of persons exercising control	10	-
	Entities, over which the persons exercising control have significant influence or are members of their key management staff	462	524
Other expenses	Entities under common control of persons exercising control	38	-
	Entities, over which the persons exercising control have significant influence or are members of their key management staff	1	41
Other finance costs	Entities, over which the persons exercising control have significant influence or are members of their key management staff	60	54
		593	619

Movements of loans related parties

in BGN'000		Amounts received / (provided)	Amounts (paid)/ refunded	Interest (expenses)/ income	Interest paid
Persons exercising control	30 September 2023	-	(157)	(18)	(1)
Persons exercising control	30 September 2022	978	-	(9)	(2)
	30 September 2023	-	(157)	(18)	(1)
	30 September 2022	978	-	(9)	(2)

12. TERMS AND CONDITIONS OF RELATED PARTY TRANSACTIONS

The sales to and purchases from related parties are made at contractual prices. Outstanding balances at the period-end are unsecured (except for loans), interest free (except for loans) and the settlement is made in cash. There have been no guarantees provided to or received for related party payables or receivables. For the period ended 30 September 2023 (31 December 2022: Nil), the Group had not written down related party receivables. A review for impairment is made every financial year through examining the financial position of the related party and the market in which the related party operates.

13. COMMITMENTS AND CONTINGENCIES**13.1. LEGAL CLAIMS**

There are no significant legal claims brought against the Group.

13.2. GUARANTEES

According to Bank Loan Contract 22F-001225 for granting a total limit for working capital financing, issuance of bank guarantees and letters of credit in the amount of up to BGN 12,000 thousand as of 30 September 2023:

- A guarantee was issued to cover a liability of a Group company, namely KRZ Port Burgas, in the amount of BGN 6,000 thousand (31 December 2022: BGN 6,000 thousand);
- Bank guarantees were issued to Group companies, namely IHB Metal Castings AD in the amount of 20 thousand and ZMM Nova Zagora in the amount of 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.

13.3. COLLATERAL

In connection with Bank loan contract number 22F-001225 of 07 November 2022, obtained to provide a total limit for working capital financing, issuance of bank guarantees and letters of credit, Industrial Holding Bulgaria PLC and the company-guarantor concluded financial collateral agreements through a pledge of receivables granting the right of use of all their accounts with the creditor bank in the amount of the liability at the appropriate time.

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

In connection with Bank loan contract number 19F-002296 of 8 October 2019, obtained to finance the construction of a photovoltaic power plant, the company-borrower under the loan and the company-co-debtor signed financial collateral agreements through a pledge of receivables on all their accounts with the creditor bank in the amount of the liability at the appropriate time.

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

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

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

Non-systematic risks specific to the Company

Risks associated with the Group's portfolio structure

The Group's investments are focused on businesses characterised by slow rotation of funds invested (machine-building), dependency on energy and other resources (machine-building, ship repair, maritime transport) and high cyclicality (ship repair, ship design, maritime transport, classification and certification, port activity), thus reducing the level of return of the overall investment portfolio.

Risks arising from pandemics and epidemics

Globalization worldwide and the freer movement of goods and people lead to a significantly faster spread of pandemics and epidemics, and make it difficult to locate them in individual regions / countries, which in the case of more serious diseases blocks world trade, limits and pose difficulties on the supply chains, and has an adverse impact on all economic agents. Possible extension / reduction of restrictive measures in individual countries are risks that can lead to both improvement and deterioration of the external environment, and that have an impact on the trade partners of the Group companies.

Risks arising 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:

- cyclicality of the shipping industry – cycles are linked to the global economy and the balance between the proposed shipping tonnage and the needs of exporters and importers. Risk exists for operators who have failed to properly plan and distribute their cash flows at a time of difficult access to finance under aggravated conditions during crisis;
- number of ships in construction and entry into service and state of the ship cutting market
- increased environmental restrictions – the introduction of new eco-norms and directives against environmental pollution and for energy savings for vessels imposes mandatory reconstructions of vessels and other technical solutions to bring them in compliance with ecological regulations;
- global fuel problems - on the one hand, oil can be a cause of conflict and, on the other hand, the price and availability of it can be a cause of erosion or a fall in the freight market, as marine fuels are the main 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 joining the ERM II exchange rate mechanism (the so-called euro area waiting room), there is a low risk that the EUR exchange rate agreed vis-à-vis the exchange rate of the Bulgarian lev in the event of entry into the Euro area to be different from the 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 is high. 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. 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 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 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. In October 2023, the Register was audited by the Flag Administration of Siera Leone with the aim to be authorised to conduct inspections.

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 as of 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 in conjunction with par. 2 of POSA.

Daneta Zheleva

Chief Executive Officer

Industrial Holding Bulgaria PLC

Ivan Rashkov

Chief Accountant

Vladislava Zgureva

Investors Relations Director