



INDUSTRIAL HOLDING BULGARIA PLC

**PUBLIC NOTIFICATION FOR FINANCIAL POSITION
ON A STAND-ALONE BASIS
31 MARCH 2024**

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 31 March 2024

in BGN'000	31 March 2024	31 March 2023
Interest and dividend income	3,307	5,056
Other income, net	5	18
	3,312	5,074
Employee benefit expenses	(188)	(195)
Hired service expenses	(94)	(86)
Other operating expenses	(44)	(71)
Operating profit	2,986	4,722
Finance income	743	-
Finance costs	(83)	(586)
Operating profit before taxes	3,646	4,136
Income tax (expense)/benefit	-	-
Profit for the period	3,646	4,136
Other comprehensive income / (loss)	-	-
Total comprehensive income for the period	3,646	4,136

SEPARATE STATEMENT OF FINANCIAL POSITION

As of 31 March 2024

in BGN'000	31 March 2024	31 December 2023
Assets		
Non – current assets		
Non-current tangible and intangible assets	440	218
Right-to-use assets	665	684
Investments in subsidiaries	198,339	198,339
Loans to related parties	44,016	48,786
Differed tax asset	6	6
Total non-current assets	243,466	248,033
Current assets		
Loans to related parties	3,907	943
Trade and other receivables	2,551	656
Cash and cash equivalents	42,262	38,313
Total current assets	48,720	39,912
TOTAL ASSETS	292,186	287,945
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	132,164	128,518
Total equity	269,649	266,003
Non-current liabilities		
Interest-bearing bank loans	15,313	14,835
Lease liabilities	605	624
Retirement benefit liabilities	45	45
Total non-current liabilities	15,963	15,504
Current liabilities		
Interest-bearing bank loans	3,927	3,274
Loans and deposits from related parties	847	294
Lease liabilities	71	70
Trade and other payables	1,729	2,800
Total current liabilities	6,574	6,438
Total liabilities	22,537	21,942
TOTAL EQUITY AND LIABILITIES	292,186	287,945

SEPARATE STATEMENT OF CASH FLOWS

For the period ended 31 March 2024

in BGN'000	31 March 2024	31 March 2023
Operating activity		
Dividends received	552	542
Cash loans repaid from related parties	4,346	4,359
Cash loans to related parties	(2,514)	(3,830)
Interest received on loans to related parties	334	254
Cash paid for the acquisition of stocks and shares	(1,050)	-
Interest received on bank deposits	408	195
Employee benefit related payments	(189)	(199)
Foreign exchange differences	741	(538)
Other proceeds / (payments), net	(28)	(58)
Net cash flows from operating activity	2,600	725
Investing activity		
Purchase of non-current tangible and intangible assets	(236)	(37)
Sale of non-current tangible and intangible assets	-	9
Net cash flows used in investing activity	(236)	(28)
Financing activity		
Interest-bearing bank loans received	1,457	2,093
Principal paid on interest-bearing bank loans	(326)	-
Interest and charges paid on interest-bearing bank loans	(74)	(35)
Loans and deposits from related parties	550	999
Lease liabilities paid	(18)	(36)
Interest paid on leases	(4)	(2)
Net cash flows used in financing activity	1,585	3,019
Net increase of cash and cash equivalents	3,949	3,716
Cash and cash equivalents on 1 January	38,313	27,244
Cash and cash equivalents on 31 March	42,262	30,960

SEPARATE STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2024

	Share capital	Share premium	Statutory and additional reserves	Retained earnings	Total
in BGN'000					
On 1 January 2023	96,808	31,016	9,661	122,294	259,779
Comprehensive income for the period					
Profit for the period	-	-	-	4,136	4,136
Total comprehensive income for the period	-	-	-	4,136	4,136
On 31 March 2023	96,808	31,016	9,661	126,430	263,915
On 1 January 2024	96,808	31,016	9,661	128,518	266,003
Comprehensive income for the period					
Profit for the period	-	-	-	3,646	3,646
Total comprehensive income for the period	-	-	-	3,646	3,646
On 31 March 2024	96,808	31,016	9,661	132,164	269,649

1. INTEREST AND DIVIDEND INCOME

in BGN'000	31 March 2024	31 March 2023
Dividend income	2,594	4,552
Interest income	713	504
	3,307	5,056

Dividend income of BGN 2,594 thousand was reported in the first quarter of 2024 (the first quarter of 2023: BGN 4,552 thousand), distributed by:

in BGN'000	31 March 2024	31 March 2023
ZMM Bulgaria Holding EAD	2,163	4,295
IHB Shipdesign AD	221	-
Maritime Holding AD	210	257
	2,594	4,552

Interest income reported in the first quarter of 2024 and 2023 and is as follows:

in BGN'000	31 March 2024	31 March 2023
Interest income on loans – related parties	360	307
Interest income on deposits with banks - related parties	293	158
Interest income on deposits with banks - unrelated parties	60	39
	713	504

2. OTHER INCOME, NET

in BGN'000	31 March 2024	31 March 2023
Rental income	-	10
Other income	5	8
	5	18

3. EMPLOYEE BENEFIT EXPENSES

in BGN'000	31 March 2024	31 March 2023
Wages and salaries	(160)	(167)
Social insurance costs and other fringe benefits	(28)	(28)
	(188)	(195)

4. OTHER OPERATING EXPENSES

in BGN'000	31 March 2024	31 March 2023
Depreciation / amortisation expenses	(33)	(51)
Costs of materials	(4)	(10)
Other operating expenses	(7)	(10)
	(44)	(71)

5. FINANCE INCOME AND FINANCE COSTS

in BGN'000	31 March 2024	31 March 2023
Foreign exchange gains, net	743	-
Finance income	743	-

in BGN'000	31 March 2024	31 March 2023
Foreign exchange losses, net	-	(538)
Interest expenses on interest-bearing bank loans	(66)	(31)
Interest expenses on loans and deposits from related parties	(3)	(9)
Interest expenses on leases	(4)	(3)
Bank charges on interest-bearing bank loans	(8)	(4)
Other finance costs	(2)	(1)
Finance costs	(83)	(586)

6. INCOME TAX

The Company owes no income taxes for the periods ended 31 March 2024 and 31 March 2023.

The reconciliation of income tax expenses and the accounting profit multiplied by the applicable rate for the periods ended 31 March 2024 and 31 March 2023 is as follows:

in BGN'000	31 March 2024	31 March 2023
Profit before taxes	3,646	4,136
Income tax expense at the applicable tax rate of 10% (2023: 10%)	(365)	(414)
Income, exempt from taxation – dividends	259	455
Utilisation of tax losses for which no deferred tax asset has been recognised	106	-
Tax loss for which no deferred tax asset has been recognised	-	(41)
Income tax expense at an effective tax rate of 0 % (2023: 0 %)	-	-

As of 31 March 2024, the Company reported a deferred tax asset of BGN 6 thousand (as of 31 December 2023: BGN 6 thousand) on accrued retirement benefit liabilities, the leave liability, and a right-of-use asset.

7. INVESTMENTS IN SUBSIDIARIES

Investments, held by the Company as of 31 March 2024 and as of 31 December 2023, were as follows:

in BGN'000	Country of registration	Amount of the shareholding as of 31 March 2024	Percentage of the shareholding as of 31 March 2024	Amount of the shareholding as of 31 December 2023	Percentage of the shareholding as of 31 December 2023
Privat Engineering EAD	Bulgaria	45,820	100.00%	45,820	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%
KLVK AD	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	67,881	100.00%	67,881	100.00%
Odessos PBM EAD	Bulgaria	28,373	100.00%	28,373	100.00%
IHB Shipdesign AD	Bulgaria	70	70.00%	70	70.00%
		198,339		198,339	

8. CASH AND CASH EQUIVALENTS

in BGN'000	31 March 2024	31 December 2023
Cash with banks-related parties	31,115	27,431
Cash with banks-others	11,147	10,882
Cash and cash equivalents presented in the Statement of Cash Flows	42,262	38,313
Cash restricted as collateral on bank guarantee	-	-
Cash and cash equivalents presented in the Statement of Financial Position	42,262	38,313

Cash denominated in BGN is measured at its nominal value, and that denominated in foreign currency is measured at the closing exchange rate of BNB at the end of the reporting period. Foreign exchange differences are reported as current income and expenses, respectively.

Aiming to manage the cash available and earn revenue from it, the Company contracted short-term deposits (maturing within three months).

9. INTEREST-BEARING BANK LOANS

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

in BGN'000	Currency	Interest rate %	Maturity	31 March 2024	31 December 2023
Bank loan contract No. 22F-000155 of 24 February 2022	EUR	1.40%	2029	15,313	14,835
				15,313	14,835

Current portion of long-term interest-bearing bank loans

in BGN'000	Currency	Interest rate %	Maturity	31 March 2024	31 December 2023
Bank loan contract No. 22F-000155 of 24 February 2022	EUR	1.40%	2029	3,927	3,274
				3,927	3,274

in BGN'000		31 March 2024	31 December 2023
Principal payable		19,232	18,101
Interest payable		8	8
		19,240	18,109

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. The deadline for loan repayment was until February 2029. In the first quarter of 2024, Industrial Holding Bulgaria PLC utilised the full loan amount. The loan repayment commenced in March 2024.

Under Bank Loan Contract No. 22F-001225 concluded with a commercial bank, Industrial Holding Bulgaria PLC was granted a total limit for working capital financing, issuance of bank guarantees and letters of credit of the Holding and/or its Group companies in the amount of up to BGN 12,000 thousand. In December 2023, an annex was signed for revolving the part of the loan used as overdraft until 04 November 2024 and changing the interest rates for loans denominated in Bulgarian leva. The current floating interest rates are as follows: (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 + 1.7%, but not less than 1.7%. The agreement is secured by mortgages on real estate (land and buildings) of a Group company, which is also a guarantor under the loan.

10. LEASE

Industrial Holding Bulgaria used an office under an office rental agreement concluded with a company under joint control of the persons exercising control for a 10-year term.

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 same contract.

Lease liability

in BGN'000	31 March 2024	31 December 2023
Balance at the beginning of the period	694	33
Newly-occurred lease liabilities in the period	-	708
Recalculation of the lease liabilities due to modification	-	42
Non-monetary payment of lease liabilities during the period	-	(6)
Interest expenses for the period	4	17
Lease payments for the period	(22)	(100)
Balance at the end of the period	676	694
Long-term portion	605	624
Short-term portion	71	70

11. EQUITY

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

in BGN'000	31 March 2024	31 December 2023
96,808,417 ordinary shares with a nominal amount of BGN 1 each	96,808	96,808
	96,808	96,808

As of 31 March 2024, the Company's capital comprised 96,808,417 dematerialised registered voting shares with a nominal value of BGN 1 each, listed for trading on the Bulgarian Stock Exchange. The share capital is subscribed to at its nominal amount and is fully paid in. There are 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 March 2024 are as follows:

in BGN'000	Number of shares as of 31 March 2024	31 March 2024
BULLS AD	65,949,621	68.12%
DZH AD	9,657,874	9.98%
Other natural persons and legal entities	21,200,922	21.90%
	96,808,417	100.00%

Treasury shares redeemed

By a decision of the General Meeting of Shareholders of Industrial Holding Bulgaria PLC dated 18 November 2021, another 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 as an investment intermediary.

The Company did not hold treasury shares redeemed as of 31 March 2024.

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 68.12% 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 31 March 2024 and 31 December 2023 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.

VI. Associated companies

12.1. RECEIVABLES FROM AND PAYABLES TO RELATED PARTIES**Loans to related parties**

in BGN'000		31 March 2024	31 December 2023
Subsidiaries	Non-current portion of long-term loans	43,965	48,735
Associates	Non-current portion of long-term loans	51	51
		44,016	48,786
Subsidiaries	Current portion of long-term loans	3,906	943
Associates	Current portion of long-term loans	1	-
		3,907	943
		47,923	49,729
	Principal	47,681	49,513
	Interest	242	216

The loans originated to Odria Ltd in the amount of BGN 3,393 thousand and Karvuna Ltd in the amount of BGN 2,223 thousand were secured by sea mortgages on m/v Dimond Sky and m/v Karvuna respectively, owned by the subsidiaries.

Trade and other receivables

in BGN'000		31 March 2024	31 December 2023
Subsidiaries	Dividends	2,182	140
Entities, over which the persons that have control exercise also significant influence or are members of their key management personnel	Prepayments	-	10
	Interest on bank deposits	141	178
Entities under joint control of the persons exercising control	Deposit under a rental agreement	6	6
		2,329	334

Trade and other payables

in BGN'000		31 March 2024	31 December 2023
Subsidiaries	Capital increase liabilities	1,675	2,725
Entities under joint control of the persons exercising control	Payables to suppliers	-	3
		1,675	2,728

In the first quarter of 2024, BGN 1,050 thousand was paid to increase the capital of the subsidiary Odessos PBM EAD. The remaining balance of BGN 1,675 thousand was paid in April 2024.

Cash with banks - related parties

in BGN'000	31 March 2024	31 December 2023
Entities, over which the persons that have control exercise also significant influence or are members of their key management personnel	31,115	27,431
	31,115	27,431

Deposits from related parties

in BGN'000	31 March 2024	31 December 2023
Short-term deposits	847	294
	847	294
Principal	843	293
Interest	4	1

Lease liabilities under contracts with related parties

in BGN'000	31 March 2024	31 December 2023
Entities under joint control of the persons exercising control	676	694
Balance at the period-end	676	694
Long-term portion	605	624
Short-term portion	71	70

The fee due under a lease contract concluded with a company under joint control of the persons exercising control in the first quarter of 2024 is BGN 22 thousand and the cash outflow is BGN 22 thousand.

12.2. RELATED PARTY TRANSACTIONS**Sales transactions**

in BGN'000	31 March 2024	31 March 2023
Dividend income		
Subsidiaries	2,594	4,552
Rental income		
Subsidiaries	-	10
Revenue from sales of fixed assets		
Subsidiaries	-	1
	2,594	4,563

Purchase transactions

in BGN'000		31 March 2024	31 March 2023
Purchase of shares			
Hired service expenses			
	Entities, over which the persons that have control exercise also significant influence or are members of their key management personnel	9	-
Other expenses			
	Entities under joint control of the persons exercising control	9	-
Other finance costs			
	Entities, over which the persons that have control exercise also significant influence or are members of their key management personnel	1	1
		19	1

Loans to related parties

in BGN'000		Loans granted	Non-monetary increase/ (decrease)	Received principal	Interest income	Received interest
Subsidiaries	31 March 2024	(2,514)	-	4,346	359	334
Associates	31 March 2024	-	-	-	1	-
Subsidiaries	31 March 2023	(3,830)	-	4,359	307	254
Associates	31 March 2023	-	-	-	-	-
	31 March 2024	(2,514)	-	4,346	360	334
	31 March 2023	(3,830)	-	4,359	307	254

Loans granted as of 31 March 2024 mature in 2025-2029. The agreed interest rates vary from 3.5% to 7.5%. An exception is an investment loan granted to a subsidiary, which bears an interest rate of 1.6%; the loan was financed by a targeted 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 quarter of 2024 amounts to BGN 293 thousand. The interest paid by the bank during the period on deposits amounted to BGN 330 thousand.

Loans from related parties

in BGN'000		Received loans	Non-monetary increases/ (decreases)	Reimbursed principal	Interest expenses	Paid interest
Exercising control	31 March 2024	-	-	-	-	-
Exercising control	31 March 2023	-	-	-	(5)	-
	31 March 2023	-	-	-	(5)	-

Deposits from related parties

in BGN'000		Received deposits	Non-monetary increases/ (decreases)	Reimbursed principal	Interest expenses	Paid interest
Subsidiaries	31 March 2024	550	-	-	(3)	-
Subsidiaries	31 March 2023	999	(802)	-	(4)	-
	31 March 2024	550	-	-	(3)	-
	31 March 2023	999	(802)	-	(4)	-

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. No guarantees have been provided or received for any related party receivables or payables. The Company has recognised no impairment losses as of 31 March 2024 (31 December 2023: Nil). An impairment testing is carried out each financial year based on an analysis of the financial performance 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 31 March 2024:

- 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 2023: BGN 163 thousand).

The unutilised limit under Contract No. 22F-001225 amounted to BGN 11,973 thousand as of 31 March 2024.

Collateral

In connection with Bank loan contract number 22F-000155 of 24 February 2022, obtained to secure 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 to secure 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 - expanding 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.

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.

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.

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 attracting 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 repair, ship design, port activities, classification and certification.

The unstable political and economic environment intensified 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 continued 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

According to the World Bank's latest report (Global Economic Prospects), the global economy in 2024 is expected to grow by 2.4%, marking the third consecutive year of slowing economic activity. Contributing factors include weakened international trade and investment, tight monetary policy, and ever-rising geopolitical risks. The conflict in the Middle East threatens the stability of the global economy; an escalation of the situation would lead to a surge in energy prices and rising inflation, causing further monetary tightening and high inflation in multiple sectors, including transport.

According to the latest forecasts, the shale market will continue to face challenges and fluctuations in 2024. Factors such as global economic conditions, geopolitical developments, environmental regulations, and supply chain disruptions are likely to negatively impact the industry. The current situation with the Panama Canal, where transit restrictions have been imposed due to a record drought, is expected to cause shipping disruptions over the next few months. An additional risk stems from the Red Sea crisis, leading to increased sailing distances. Freight rates are expected to vary across market segments, with the trend in spot markets for higher volatility and charter markets to soften compared to previous years.

There has been a significant shift in regulations that are expected to influence the direction of decarbonisation efforts significantly:

- The new FuelEU regulation aims to reduce greenhouse gas intensity by 2% by 2025 and 80% by 2050. These measures cover not only CO₂ emissions but also methane and nitrous oxide emissions throughout the life cycle of fuels used by the vessels. A further legal framework for net zero emissions is expected to be presented at the Marine Environment Protection Committee meeting in October 2024;
- The EU Emissions Trading Scheme: from January 2024, the European Union has included shipping in its Emissions Trading Scheme (ETS). Thus, shipowners are required to purchase credits for CO₂ emissions created on voyages between EU ports and half of their emissions on voyages between an EU port and a non-EU port. Shipowners are expected to be able to offset these costs in their charter contracts.
- The introduction of new rules to combat adverse climate change (such as EEXI/CII/EU-ETS) is expected to lead to a 1-2% drop in sailing speed by 2025 and consequently put significant price pressure on the freight market.

For the first time in 2023, in compliance with the requirements of the International Convention for the Prevention of Pollution from Ships (MARPOL), the Group defined its fleet's Energy Efficiency Index for Existing Ships (EEXI). As is the case for almost all ships in operation worldwide, the achieved index on each of the Group's ships is higher than required. Measures have been taken, approved by the monitoring organizations, to reduce it to meet the requirements.

Moreover, for the first time an annual operational efficiency indicator was calculated for each ship in 2023 - Carbon Intensity Index (CII). Within the statutory timeframe, the ships are expected to be rated C (the scale is A to E, with A being a better-performing ship). The rating thresholds will become more stringent until 2030. In 2024, work continues in line with the new regulations to improve operational efficiency.

The Group's ships sail with Bulgarian and foreign crews.

Ship building and ship repair

The market for ship repair and maintenance services is projected to grow at a moderate CAGR of 6.6% during the period 2024 to 2034. The ongoing tensions in the Gulf of Aden and the armed conflict in the Gaza Strip, which began in late 2023, have changed the direction of ship owners to carrying out repairs in the Mediterranean basin region due to increased cost and risk of moving to China. The first quarter of 2024 also saw a trend away from Turkish factories. All that positively impacted the orders of **Bulyard Shipbuilding Industry**, filling its capacity.

Since early 2024, there has been a decline in customer enquiries for the installation of ballast systems due to the expiry of the legal deadline for their installation. However, the increasing regulatory requirements for decarbonising ships are expected to open up other market niches and opportunities for ship repair plants.

The lower electricity price in 2024 has had a positive effect on the profitability of the Bullard Shipbuilding Industry. Disrupted supply chains continue to keep prices high for some materials.

Ship design

Yet low levels of shipbuilding are affecting the development of design services in several directions.

Tighter measures and rules to reduce the greenhouse effect of ships are reducing orders for new construction due to the need for more clarity at the moment on what ships will be sought and with what engines. The development of alternatives is still at an early stage. Shipowners are being cautious and waiting for new technology developments and green fuel regulations before ordering new tonnage. There is also no clear time horizon for owners to operate their ships without 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 expanding military conflicts in different regions globally and the worsening economic environment are forcing shipowners to reconsider their investment intentions for new and the reconstruction and renovation of existing vessels. Despite the demand for cruise ships, including design services for them, orders are still weak due to the general uncertain environment fuelled by inflation and rising interest rates.

On the other hand, trends are emerging, stimulating interest in 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 the construction and maintenance of offshore wind farms and in the conversion of ships – either changing their purpose or increasing their functionality- is expected to grow. There has also been a stirring of the market in the area of small "pilot" projects, financed primarily by various grant schemes, related to the design of alternative variants of ships with reduced harmful emissions (even in the absence of established market technologies for the replacement of ship fuels). It is expected that this trend will continue and that pure investment projects will emerge at some point.

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 to decarbonize and reduce carbon emissions. Development of the so-called hybridization of vessels, 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 is expected.

Classification and certification

The Bulgarian Ship Register (BRS, the Register) reports a slight decrease in its revenue in the first quarter of 2024 compared to the same period of 2023. The lower revenue levels so far are mainly due to the intense competition in the industry. Nevertheless, there has been growth in surveys of inland waterway vessels and small vessels. In 2024, revenue from foreign shipowners is expected to be higher due to the authorisations received from two new flag administrations and the introduction of the latest IMO requirements related to the energy efficiency of ships. Thanks to the Company's established network abroad, BRS provides its foreign customers with a competitive service in terms of price and lead time. The high exchange rate of the US dollar also has positively impacted its financial performance.

Management's efforts are aimed at attracting new agents and shipowners and developing and offering additional services to supplement the main ones. In January 2024, BRS successfully passed the LRQA ("Lloyd Register") periodic audit for renewing the quality system certificate in compliance with ISO 9001:2015.

Port operations

World grain supplies are expected to grow by 1.5-2.5% in 2024 and 0-2% in 2025. Bulgaria's crop outlook is also good - wheat and barley yields are expected to be high, thanks to relatively favourable weather conditions during the crop's growing and maturing period. Ongoing geopolitical tensions, as well as trade agreements and policies, may also have a significant impact on grain exports and imports. Despite the observed partial increase in metal cargoes, weaker investment activity in the country (especially in the construction sector) is expected to negatively affect them.

The port terminals of **Odessos PBM and KRZ Port Burgas** are part of the public transport ports in Varna and Burgas, whose development depends to a more significant extent on the economic situation in Bulgaria and in the countries of the Mediterranean and Black Sea regions.

The terminals in the regions of Varna and Burgas focus their efforts on building new capacities and storage facilities to improve and accelerate the processing of cereals and other cargo, strengthening the competitive environment. The two terminals of the Group are also gradually expanding their capabilities. In Odessos PBM, the port expansion is being implemented actively - the construction of a new quay wall and ensuring the necessary storage facilities. 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, expanding and upgrading the area's infrastructure to meet changing demand trends. Increasing the volume of activities is expected to achieve a higher rate of effectiveness.

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. Heating for two buildings is solved

Machine building

The downturn in the European economy combined with the long-term interest rate policies have a restrictive impact on the investment activity of the customers of **ZMM Bulgaria Holding and its subsidiaries**. The prices of the manufactured machines, adjusted in 2023, in combination with the option to use electricity from the operating solar plants of the Group, partially reduce the negative effect of inflation on the profitability of the offered products.

The machine-building industry faces several key challenges:

- Intense competition: the market is highly competitive, with several established international players seeking to gain a competitive edge through product innovation and partnerships. In Europe, ZMM Bulgaria Holding is the only manufacturer of universal lathes;
- Market preferences: high-quality alternatives to products from China are being sought, and customers increasingly demand customised and sophisticated components. Machine tools that offer flexibility, quick changeovers and easy programming attract growing investor interest;
- Increasing focus on sustainability: the industry is witnessing a shift to sustainable manufacturing practices. Machines optimising the use of materials, reducing energy consumption, and minimising waste are gaining market share.

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 31 March 2024.

As of 31 March 2024, Industrial Holding Bulgaria 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 31 March 2024: 65,949,621 shares held directly, representing 68.12% 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 31 March 2024: 9,657,874 shares held directly, representing 9.98% of

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 31 March 2024: 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 31 March 2024: 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 65,949,621 shares held directly, representing 68.12% of the capital, or directly and through related parties and through controlled parties 75,649,185, representing 78.14% 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