



INDUSTRIAL HOLDING BULGARIA PLC

**PUBLIC NOTIFICATION FOR FINANCIAL POSITION
ON A CONSOLIDATED 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.

As of 31 March 2024, Industrial Holding Bulgaria PLC has 9 direct subsidiaries (31 December 2023: 9), 11 indirect subsidiaries (31 December 2023: 11), and 2 indirect associates (31 December 2023: 2), 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 STATEMENT OF PROFIT OR LOSS

in BGN'000	31 March 2024	31 March 2023
Revenue	29,559	32,869
Other operating income	708	646
	30,267	33,515
Change in stock of work in progress and finished products	725	455
Costs of acquisition and development of assets' self-construction	385	14
Costs of materials	(9,299)	(8,960)
Costs of hired services	(6,389)	(6,617)
Depreciation / amortization expenses	(3,300)	(3,422)
Costs of personnel	(8,930)	(8,808)
Other operating expenses	(552)	(474)
Operating profit	2,907	5,703
Finance income	1,534	287
Finance costs	(69)	(879)
Profit before tax	4,372	5,111
Income tax expense	(484)	(467)
Profit for the period	3,888	4,644
Attributable to:		
Equity holders of the parent	3,844	4,518
Non-controlling interest	44	126

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 March 2024

in BGN'000	31 March 2024	31 December 2023
Assets		
Non-current assets		
Property, plant and equipment	326,849	321,843
Intangible assets	2,365	2,419
Goodwill	4,329	4,329
Investment properties	15,241	15,241
Right-of-use assets	2,409	2,486
Deferred tax assets	61	68
Other non-current receivables	64	78
Total non-current assets	351,318	346,464
Current assets		
Inventories	20,635	19,576
Trade and other receivables	11,865	8,179
Contract assets	721	1,079
Income tax receivable	22	183
Cash and cash equivalents	58,833	56,938
Total current assets	92,076	85,955
TOTAL ASSETS	443,394	432,419

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As of 31 March 2024

in BGN'000	31 March 2024	31 December 2023
Equity		
Share capital	96,808	96,808
Share premium	31,016	31,016
Other reserves	85,070	85,070
Reserve from foreign exchange translation of foreign operations	22,880	20,393
Retained earnings	153,232	149,388
Equity attributable to the equity owners of the parent company	389,006	382,675
Non-controlling interest	939	1,124
Total equity	389,945	383,799
Liabilities		
Non-current liabilities		
Interest-bearing bank loans	15,574	15,142
Lease liabilities	2,165	2,238
Other non-current payables	153	152
Government financing	1,088	1,115
Retirement benefit liabilities	1,027	1,080
Deferred tax liabilities	11,636	11,539
Total non-current liabilities	31,643	31,266
Current liabilities		
Interest-bearing bank loans	4,112	3,459
Lease liabilities	285	283
Trade and other payables	14,415	10,475
Contract liabilities	2,459	2,819
Provisions	10	10
Government financing	107	107
Income tax liabilities	418	201
Total current liabilities	21,806	17,354
Total liabilities	53,449	48,620
TOTAL EQUITY AND LIABILITIES	443,394	432,419

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 March 2024

in BGN'000	31 March 2024	31 March 2023
Operating activity		
Proceeds from customers	27,158	32,861
Payments to suppliers	(14,160)	(18,743)
Staff remuneration related payments	(8,797)	(9,005)
Corporate income taxes paid/refunded	-	(1)
Other taxes refunded /(paid), net	1,036	1,634
Foreign currency differences, net	1,035	(797)
Other (payments)/proceeds, net	(308)	(457)
Net cash flows from operating activity	5,964	5,492
Investing activity		
Payments on the acquisition of fixed assets and self-constructed fixed assets	(5,585)	(4,142)
Proceeds from sale of property, plant and equipment	-	10
Proceeds from interest on bank deposits	556	289
Other payments	81	-
Net cash flow used in investing activities	(4,948)	(3,843)
Financing activities		
Proceeds from loans	1,457	2,093
Payments on loans	(372)	(46)
Payments on lease liabilities	(71)	(89)
Dividends paid	(88)	(114)
Interest paid on loans	(68)	(35)
Interest paid on lease contracts	(16)	(7)
Fees and commissions paid on loans	(8)	(4)
Net cash flow used in financing activities	834	1,798
Net increase in cash and cash equivalents	1,850	3,447
Cash and cash equivalents at 1 January	56,938	45,354
FX translation effects	45	(28)
Cash and cash equivalents at 31 March	58,833	48,773

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2024

	Attributable to the equity holders of the parent						Total	Non-controlling interest	Total equity
	Share capital	Issue premium	Statutory and additional reserves	Revaluation reserve	Reserve from FX translation of foreign operations	Retained earnings			
in BGN'000									
At 1 January 2024	96,808	31,016	4,684	80,386	20,393	149,388	382,675	1,124	383,799
Comprehensive income for the period									
Profit for the period	-	-	-	-	-	3,844	3,844	44	3,888
Other comprehensive income for the period	-	-	-	-	2,487	-	2,487	-	2,487
Total comprehensive income for the period	-	-	-	-	2,487	3,844	6,331	44	6,375
Transactions with shareholders recognised in equity									
Distribution of dividends	-	-	-	-	-	-	-	(229)	(229)
Total transactions with shareholders	-	-	-	-	-	-	-	(229)	(229)
At 31 March 2024	96,808	31,016	4,684	80,386	22,880	153,232	389,006	939	389,945

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the period ended 31 March 2023

	Attributable to the equity holders of the parent						Total	Non-controlling interest	Total equity
	Share capital	Issue premium	Statutory and additional reserves	Revaluation reserve	Reserve from FX translation of foreign operations	Retained earnings			
in BGN'000									
At 1 January 2023	96,808	31,016	4,957	79,858	24,607	142,576	379,822	1,405	381,227
Comprehensive income for the period									
Profit for the period	-	-	-	-	-	4,518	4,518	126	4,644
Other comprehensive income for the period	-	-	-	-	(2,447)	-	(2,447)	-	(2,447)
Total comprehensive income for the period	-	-	-	-	(2,447)	4,518	2,071	126	2,197
Transactions with shareholders recognised in equity									
Distribution of dividends	-	-	-	-	-	-	-	(165)	(165)
Total transactions with shareholders	-	-	-	-	-	-	-	(165)	(165)
Transfer of revaluation reserve to retained earnings	-	-	-	-	-	-	-	-	-
At 31 March 2023	96,808	31,016	4,957	79,858	22,160	147,094	381,893	1,366	383,259

NOTES

1. REVENUE

in BGN'000	31 March 2024	31 March 2023
Revenue from manufacture of metal-cutting machines, components and details	7,788	10,497
Revenue from cargo transportation under voyage charter contracts	1,033	1,847
Revenue from time-charter contracts	6,640	6,123
Revenue from repair and reconstruction of ships	9,698	9,572
Revenue from designer's services	772	1,026
Revenue from cargo processing	1,922	2,047
Revenue from cargo storage	209	311
Quay rentals	227	257
Property rentals	754	548
Revenue from other services	516	641
	29,559	32,869

The Group's total revenue realised in the first quarter of 2024 has increased compared to the revenue reported for the same period in 2023. Their dynamics were primarily due to the sales of metal-cutting machines, components, and details due to the slowdown in economic activity and the highly competitive environment in which the companies from this segment operate.

Other operating income

in BGN'000	31 March 2024	31 March 2023
Gain on sales of materials and scrap	553	410
Income from government financing	26	184
Gain on sale of fixed assets	3	-
Other income	126	52
	708	646

2. COSTS OF MATERIALS

in BGN'000	31 March 2024	31 March 2023
Main materials	(4,648)	(5,765)
Fuel used on ships	(2,213)	(526)
Auxiliary materials	(925)	(992)
Electric power	(627)	(1,014)
Spare parts	(624)	(473)
Other materials	(262)	(190)
	(9,299)	(8,960)

3. COSTS OF HIRED SERVICES

in BGN'000	31 March 2024	31 March 2023
Services of subcontractors	(2,843)	(4,116)
Agency services	(1,228)	(172)
Insurances	(491)	(446)
Port-related expenses	(439)	(458)
Security	(244)	(228)
Repair services	(183)	(228)
Software maintenance on subscription	(110)	(182)
Civil contracts	(68)	(78)
Other costs	(783)	(709)
	(6,389)	(6,617)

4. EMPLOYEE BENEFIT EXPENSES

in BGN'000	31 March 2024	31 March 2023
Salaries	(7,026)	(6,935)
Compulsory social insurance	(1,092)	(1,045)
Management contracts	(414)	(405)
Compulsory social and health insurance on management contracts	(31)	(28)
Other employee benefits	(367)	(395)
	(8,930)	(8,808)

5. OTHER OPERATING EXPENSES

in BGN'000	31 March 2024	31 March 2023
Business trip and crew replacement expenses	(287)	(248)
Local taxes and charges, tax on expenses	(142)	(145)
Litigation costs, notarial and other fees	(27)	(8)
Scrap and retirement of fixed tangible assets	(1)	(5)
Other expenses	(95)	(68)
	(552)	(474)

6. FINANCE INCOME AND FINANCE COSTS

in BGN'000	31 March 2024	31 March 2023
Foreign currency gains, net	1,047	-
Interest income	487	287
Finance income	1,534	287

in BGN'000	31 March 2024	31 March 2023
Interest expenses	(30)	(18)
Foreign currency losses, net	-	(827)
Other finance costs	(39)	(34)
Finance costs	(69)	(879)

Interest income

in BGN'000	2024	2023
Interest income from deposits with banks – related parties	426	247
Interest income from deposits with banks – unrelated parties	60	40
Other interest income	1	-
	487	287

Interest expenses

in BGN'000	31 March 2024	31 March 2023
Interest expenses on bank loans	(14)	(3)
Interest expenses on loans from related parties	-	(6)
Interest expenses on lease liabilities	(16)	(9)
	(30)	(18)

In the first quarter of 2024, interest on bank loans in the amount of BGN 54 thousand was capitalised to the assets' value of the Port Operations segment (the first quarter of 2023: BGN 31 thousand).

7. CASH AND CASH EQUIVALENTS

in BGN'000	31 March 2024	31 December 2023
Cash with banks-related parties	45,693	44,888
Cash with banks-unrelated parties	12,915	11,810
Cash on hand	225	240
Cash and cash equivalents presented in the Consolidated Statement of Cash Flows	58,833	56,938
Cash restricted as collateral on bank loans	-	-
Cash and cash equivalents presented in the Consolidated Statement of Financial Position	58,833	56,938

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. 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 number 22F-000155 of 24 February 2022	EUR	1.40%	2029	15,313	14,835
Bank loan contract number 19F-002296 of 8 October 2019	EUR	1.60%	2026	261	307
				15,574	15,142

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 number 22F-000155 of 24 February 2022	EUR	1.40%	2029	3,927	3,274
Bank loan contract number 19F-002296 of 8 October 2019	EUR	1.60%	2026	185	185
				4,112	3,459

The payables on interest-bearing bank loans include payables of principal and interest, as follows:

in BGN'000	31 March 2024	31 December 2023
Principal payable	19,678	18,593
Interest payable	8	8
	19,686	18,601

Bank Loan Contract No. 22F-000155 was concluded for the purpose of investing in a project for the expansion of one of the Group's ports in the amount of EUR 10,000 thousand. The contract is secured by mortgages on real estate (land and buildings) of the company that is carrying out the investment project. The loan matures in February 2029. The loan was fully drawn down in the first quarter of 2024. Repayment of the loan starts in March 2024.

Under Bank Loan Contract No. 22F-001225, a total limit for working capital financing, issuing bank guarantees and opening letters of credit was provided to the Holding and/or its Group companies in the amount of up to BGN 12,000 thousand. In December 2023, an annex for revolving the loan portion used overnight until 04 November 2024 was signed, along with a change in the interest rates for loans denominated in Bulgarian leva. The effective floating interest rates amount 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 + 1.7%, but not less than 1.7%. 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 11,973 thousand as of 31 March 2024.

9. EQUITY

Share capital - registered

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

in BGN'000	31 March 2024	31 December 2023
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 31 March 2024 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 31 March 2024:

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 legal entities and natural persons	21,200,922	21.90%
	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, another 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 31 March 2024.

10. RELATED PARTY DISCLOSURE UNDER IAS 24

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

	Country of registration	31 March 2024	31 December 2023
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%	99.45%
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	100.00%	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%

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 68.12% 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. 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

11.1. RELATED PARTY TRANSACTIONS

Trade and other receivables from related parties

in BGN'000	31 March 2024	31 December 2023
Entities under common control of persons exercising control	23	23
Entities over which the persons exercising control have significant influence or are members of their key management staff	208	271
	231	294

Loans to related parties

in BGN'000	31 March 2024	31 December 2023
Associated companies	52	51
	52	51

Cash with banks – related parties

in BGN'000	31 March 2024	31 December 2023
Entities over which the persons exercising control have significant influence or are members of their key management staff	45,693	44,888
	45,693	44,888

Liabilities under lease contracts with related parties

in BGN'000	31 March 2024	31 December 2023
Entities under common control of persons exercising control	2,385	2,447
	2,385	2,447
Long-term portion	2,135	2,199
Short-term portion	250	248

The fee due under a lease contract concluded with an entity under the common control of the persons exercising control for the first quarter of 2024 amounts to BGN 78 thousand, and the cash outflow is BGN 78 thousand.

Trade and other receivables from related parties

in BGN'000	31 March 2024	31 December 2023
Entities under common control of persons exercising control	-	6
Entities over which the persons exercising control have significant influence or are members of their key management staff	11	9
	11	15

Related party purchase and sale transactions

in BGN'000		31 March 2024	31 March 2023
Revenue from contracts with customers			
	Entities over which the persons exercising control have significant influence or are members of their key management staff	14	14
Rental income			
	Entities over which the persons exercising control have significant influence or are members of their key management staff	24	22
Other income			
	Entities over which the persons exercising control have significant influence or are members of their key management staff	1	1
		39	37

in BGN'000		31 March 2024	31 March 2023
Costs of materials			
	Entities under common control of persons exercising control	13	-
Costs of hired services			
	Entities over which the persons exercising control have significant influence or are members of their key management staff	62	147
Other expenses			
	Entities under common control of persons exercising control	16	-
Other finance costs			
	Entities over which the persons exercising control have significant influence or are members of their key management staff	18	21
		109	168

Movements of loans from related parties

in BGN'000		Amounts received / (provided)	Amounts (paid)/ refunded	Interest (expenses)/ income	Interest paid
Persons exercising control	31 March 2024	-	-	-	-
Persons exercising control	31 March 2023	-	-	(6)	(1)
	31 March 2024	-	-	-	-
	31 March 2023	-	-	(6)	(1)

Interest income on deposits granted by the Group to a related party bank (Entities over which the persons exercising control have significant influence or are members of their key management personnel) in the first quarter of 2024 amounted to BGN 426 thousand (first quarter of 2023: BGN 247 thousand). During the period, the bank paid interest on deposits of BGN 479 thousand (first quarter of 2023: BGN 265 thousand).

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 31 March 2024 (31 December 2023: 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.

12. COMMITMENTS AND CONTINGENCIES

12.1. LEGAL CLAIMS

There are no significant legal claims brought against the Group.

12.2. 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 31 March 2024:

- 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 7 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.

12.3. 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.

13. 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 cyclicity (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

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, such as COVID 19, blocks world trade, limits and pose difficulties on the supply chain, and has an adverse impact on all economic agents. Possible extension / reduction of restrictive measures in individual countries are risks that can lead very fast to both improvement and deterioration of the external environment, and that have an impact on the trade partners of the Group companies.

Risks arising 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. Unfortunately, the procedures for issuing work permits to foreigners are difficult and slow.

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 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 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.

14. 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 Register of Ship (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.

15. 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 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 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

There was no such in the reporting period.

On 08 May 2024, Industrial holding Bulgaria PLC acquired from Bulyard Shipbuilding Industry EAD 16,839,330 shares of the capital of Bulport Logistics AD.

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

N/A

This Public Notification has been prepared in accordance with the requirements of Art. 100o, 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