



INDUSTRIAL HOLDING BULGARIA PLC

**PUBLIC NOTIFICATION FOR FINANCIAL POSITION
ON A CONSOLIDATED BASIS
30 SEPTEMBER 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 30 September 2024, Industrial Holding Bulgaria PLC has 9 direct subsidiaries (31 December 2023: 9), 13 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	30 September 2024	30 September 2023
Revenue	94,710	89,588
Other operating income	2,091	1,790
	96,801	91,378
Change in stock of work in progress and finished products	647	313
Costs of acquisition and development of assets' self-construction	869	307
Costs of materials	(24,744)	(25,061)
Costs of hired services	(20,706)	(18,335)
Depreciation / amortization expenses	(10,013)	(10,262)
Costs of personnel	(27,510)	(26,654)
Other operating expenses	(2,882)	(2,280)
Operating profit	12,462	9,406
Finance income	2,541	1,485
Finance costs	(255)	(172)
Profit before tax	14,748	10,719
Income tax expense	(1,467)	(1,096)
Profit for the period	13,281	9,623
Attributable to:		
Equity holders of the parent	13,136	9,393
Non-controlling interest	145	230

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 30 September 2024

in BGN'000	30 September 2024	31 December 2023
Assets		
Non-current assets		
Property, plant and equipment	370,082	321,843
Intangible assets	2,241	2,419
Goodwill	4,329	4,329
Investment properties	15,241	15,241
Right-of-use assets	2,255	2,486
Deferred tax assets	60	68
Other non-current receivables	61	78
Total non-current assets	394,269	346,464
Current assets		
Inventories	20,012	19,576
Trade and other receivables	10,586	8,179
Contract assets	1,396	1,079
Income tax receivable	37	183
Cash and cash equivalents	25,728	56,938
Total current assets	57,759	85,955
TOTAL ASSETS	452,028	432,419

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As of 30 September 2024

in BGN'000	30 September 2024	31 December 2023
Equity		
Share capital	96,808	96,808
Share premium	31,016	31,016
Other reserves	84,953	85,070
Reserve from foreign exchange translation of foreign operations	18,003	20,393
Retained earnings	162,655	149,388
Equity attributable to the equity owners of the parent company	393,435	382,675
Non-controlling interest	1,018	1,124
Total equity	394,453	383,799
Liabilities		
Non-current liabilities		
Interest-bearing bank loans	13,521	15,142
Loans from related parties	4,850	-
Lease liabilities	2,023	2,238
Other non-current payables	318	152
Government financing	1,134	1,115
Retirement benefit liabilities	895	1,080
Deferred tax liabilities	11,771	11,539
Total non-current liabilities	34,512	31,266
Current liabilities		
Interest-bearing bank loans	4,111	3,459
Loans from related parties	29	-
Lease liabilities	286	283
Trade and other payables	14,017	10,475
Contract liabilities	3,315	2,819
Provisions	10	10
Government financing	106	107
Income tax liabilities	1,189	201
Total current liabilities	23,063	17,354
Total liabilities	57,575	48,620
TOTAL EQUITY AND LIABILITIES	452,028	432,419

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2024

in BGN'000	30 September 2024	30 September 2023
Operating activity		
Proceeds from customers	96,314	92,361
Payments to suppliers	(47,687)	(52,154)
Staff remuneration related payments	(27,607)	(27,117)
Corporate income taxes paid/refunded, net	(90)	7
Other taxes refunded /(paid), net	4,767	4,224
Foreign currency differences, net	459	(20)
Other proceeds/(payments), net	354	(1,607)
Net cash flows from operating activity	26,510	15,694
Investing activity		
Payments on the acquisition of fixed assets and self-constructed fixed assets	(63,035)	(14,665)
Proceeds from sale of property, plant and equipment	27	76
Government financing received for fixed assets	98	-
Acquisition of additional shareholding in subsidiaries	-	(32)
Proceeds from interest on bank deposits	1,349	834
Purchase of debt instruments (US government securities)	(9,349)	(11,523)
Proceeds from sale of debt instruments (US government securities)	10,157	-
Net cash flow used in investing activities	(60,753)	(25,310)
Financing activities		
Proceeds from loans	6,307	7,684
Payments on loans	(2,425)	(296)
Payments on lease liabilities	(212)	(212)
Dividends paid	(206)	(394)
Interest paid on loans	(200)	(128)
Interest paid on lease contracts	(50)	(40)
Fees and commissions paid on loans	(24)	(12)
Net cash flow used in financing activities	3,190	6,602
Net increase in cash and cash equivalents	(31,053)	(3,014)
Cash and cash equivalents at 1 January	56,938	45,354
FX translation effects	(157)	21
Cash and cash equivalents at 30 September	25,728	42,361

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2024

in BGN'000

	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			
On 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	-	-	-	-	-	13,136	13,136	145	13,281
Other comprehensive income for the period	-	-	-	-	(2,390)	-	(2,390)	-	(2,390)
Total comprehensive income for the period	-	-	-	-	(2,390)	13,136	10,746	145	10,891
Transactions with shareholders recognised in equity									
Transfers between retained earnings and reserves	-	-	(125)	-	-	125	-	-	-
Distributed dividends	-	-	-	-	-	-	-	(237)	(237)
Acquisition of shareholding	-	-	5	5	-	4	14	(14)	-
Total transactions with shareholders	-	-	(120)	5	-	129	14	(251)	(237)
Transfer of revaluation reserve to retained earnings	-	-	-	(2)	-	2	-	-	-
On 30 September 2024	96,808	31,016	4,564	80,389	18,003	162,655	393,435	1,018	394,453

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2023

in BGN'000

	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			
On 1 January 2023									
Comprehensive income for the period									
Profit for the period	-	-	-	-	-	9,393	9,393	230	9,623
Other comprehensive income for the period	-	-	-	-	747	-	747	-	747
Total comprehensive income for the period	-	-	-	-	747	9,393	10,140	230	10,370
Transactions with shareholders recognised in equity									
Transfers between retained earnings and reserves	-	-	(279)	-	-	279	-	-	-
Distributed dividends	-	-	-	-	-	-	-	(512)	(512)
Acquisition of shareholding	-	-	6	4	-	(49)	(39)	(19)	(58)
Total transactions with shareholders	-	-	(273)	4	-	230	(39)	(531)	(570)
Transfer of revaluation reserve to retained earnings	-	-	-	(7)	-	7	-	-	-
On 30 September 2023	96,808	31,016	4,684	79,855	25,354	152,206	389,923	1,104	391,027

NOTES

1. REVENUE

in BGN'000	30 September 2024	30 September 2023
Revenue from manufacture of metal-cutting machines, components and details	23,772	28,501
Revenue from cargo transportation under voyage charter contracts	5,757	7,368
Revenue from time-charter contracts	20,406	15,704
Revenue from repair and reconstruction of ships	29,119	22,498
Revenue from designer's services	2,332	2,600
Revenue from cargo processing	6,673	7,531
Revenue from cargo storage	1,475	1,048
Quay rentals	700	650
Property rentals	2,335	1,883
Revenue from other services	2,141	1,805
	94,710	89,588

The Group's total revenue realised in the first nine months of 2024 has increased compared to the revenue reported for the same period in 2023. Their dynamics were primarily due to the following:

- The growth in revenue from repairs and reconstruction of vessels due to the shift by shipowners towards repairs in the Mediterranean basin as a result of geopolitical developments in the Gulf of Aden.
- The growth in revenue from the charting of vessels due to the increased demand for cargo in some segments and from increasing sailing distances as a result of the Red Sea crisis;
- The decline in 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	30 September 2024	30 September 2023
Gain on sales of materials and scrap	1,208	1,276
Income from government financing	148	242
Gain on sale of fixed assets	37	43
Proceeds from insurance indemnity	50	-
Other income	648	229
	2,091	1,790

2. COSTS OF MATERIALS

in BGN'000	30 September 2024	30 September 2023
Main materials	(12,335)	(13,888)
Fuel used un ships	(5,152)	(4,060)
Auxiliary materials	(2,743)	(2,783)
Electric power	(1,743)	(1,976)
Spare parts	(2,016)	(1,763)
Other materials	(755)	(591)
	(24,744)	(25,061)

3. COSTS OF HIRED SERVICES

in BGN'000	30 September 2024	30 September 2023
Services of subcontractors	(10,069)	(9,462)
Agency services	(3,257)	(1,025)
Insurances	(1,300)	(1,408)
Port-related expenses	(1,413)	(1,867)
Security	(857)	(743)
Repair services	(936)	(795)
Software maintenance on subscription	(294)	(434)
Civil contracts	(200)	(207)
Other costs	(2,380)	(2,394)
	(20,706)	(18,335)

4. EMPLOYEE BENEFIT EXPENSES

in BGN'000	30 September 2024	30 September 2023
Salaries	(21,385)	(20,732)
Compulsory social insurance	(3,322)	(3,145)
Management contracts	(1,459)	(1,463)
Compulsory social and health insurance on management contracts	(94)	(83)
Other employee benefits	(1,250)	(1,231)
	(27,510)	(26,654)

5. OTHER OPERATING EXPENSES

in BGN'000	30 September 2024	30 September 2023
Business trip and crew replacement expenses	(1,284)	(1,015)
Local taxes and charges, tax on expenses	(562)	(591)
Impairment	(232)	-
Litigation costs, notarial and other fees	(65)	(35)
Scrap and retirement of fixed tangible assets	(82)	(373)
Other expenses	(657)	(266)
	(2,882)	(2,280)

6. FINANCE INCOME AND FINANCE COSTS

in BGN'000	30 September 2024	30 September 2023
Foreign currency gains, net	158	372
Gain on sale of debt instruments (US government securities)	820	-
Interest income	1,563	1,113
Finance income	2,541	1,485

in BGN'000	30 September 2024	30 September 2023
Interest expenses	(113)	(67)
Other finance costs	(142)	(105)
Finance costs	(255)	(172)

6.1. INTEREST INCOME

in BGN'000	30 September 2024	30 September 2023
Interest income from deposits with banks – related parties	1,029	757
Interest income from deposits with banks – unrelated parties	172	137
Interest income from short-term government securities	115	217
Other interest income	247	2
	1,563	1,113

6.2. INTEREST EXPENSES

in BGN'000	30 September 2024	30 September 2023
Interest expenses on bank loans	(34)	(7)
Interest expenses on loans from related parties	(29)	(18)
Interest expenses on lease liabilities	(50)	(42)
	(113)	(67)

In the first nine months of 2024, interest on bank loans in the amount of BGN 165 thousand was capitalised to the assets' value of the Port Operations segment (the first nine months of 2023: BGN 123 thousand).

7. CASH AND CASH EQUIVALENTS

in BGN'000	30 September 2024	31 December 2023
Cash with banks-related parties	18,260	44,888
Cash with banks-unrelated parties	7,192	11,810
Cash on hand	276	240
Cash and cash equivalents presented in the Consolidated Statement of Cash Flows	25,728	56,938
Cash restricted as collateral on bank loans	-	-
Cash and cash equivalents presented in the Consolidated Statement of Financial Position	25,728	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 in US Dollar 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	30 September 2024	31 December 2023
Bank loan contract number 22F-000155 of 24 February 2022	EUR	1.40%	2029	13,353	14,835
Bank loan contract number 19F-002296 of 8 October 2019	EUR	1.60%	2026	168	307
				13,521	15,142

Current portion of long-term interest-bearing bank loans

in BGN'000	Currency	Interest rate, %	Maturity	30 September 2024	31 December 2023
Bank loan contract number 22F-000155 of 24 February 2022	EUR	1.40%	2029	3,926	3,274
Bank loan contract number 19F-002296 of 8 October 2019	EUR	1.60%	2026	185	185
				4,111	3,459

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

in BGN'000	30 September 2024	31 December 2023
Principal payable	17,625	18,593
Interest payable	7	8
	17,632	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.

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%. In November 2024, an annex for revolving the loan portion used overnight until 04 November 2025 was signed. 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 11,923 thousand as of 30 September 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	30 September 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 30 September 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 30 September 2024:

in BGN'000	Number of shares as of 30 September 2024	30 September 2024
BULLS AD	66,103,955	68.28%
DZH AD	9,657,874	9.98%
Other legal entities and natural persons	21,046,588	21.74%
	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 5-year procedure was initiated with the following parameters:

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

The appointed investment intermediary is Allianz Bank Bulgaria AD.

Industrial Holding Bulgaria PLC held no treasury shares redeemed as of 30 September 2024.

10. RELATED PARTY DISCLOSURE UNDER IAS 24

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

	Country of registration	30 September 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	99.66%	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%
Bulyard 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%
Ticha LTD	Marshal Islands	100.00%	-
Vaya LTD	Marshal Islands	100.00%	-
Bulport Logistics AD	Bulgaria	100.00%	100.00%
Odessos PBM EAD	Bulgaria	100.00%	100.00%
IHB Shipdesign AD	Bulgaria	70.00%	70.00%

In the first nine months of 2024, KLVK AD participated in the incorporation of two new subsidiaries – Ticha LTD - Marshal Islands and Vaya LTD - Marshal Islands, in which it acquired 100 % of the capital.

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

- BULLS AD, a company that directly holds 68.28% 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.

10.1. RELATED PARTY TRANSACTIONS**Trade and other receivables from related parties**

in BGN'000	30 September 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	86	271
	109	294

Loans to related parties

in BGN'000	30 September 2024	31 December 2023
Associated companies	54	51
	54	51

Cash with banks – related parties

in BGN'000	30 September 2024	31 December 2023
Entities over which the persons exercising control have significant influence or are members of their key management staff	18,260	44,888
	18,260	44,888

Loans from related parties (including interest)

in BGN'000	30 September 2024	31 December 2023
Persons exercising control	4,879	-
	4,879	-
Non-current portion of long-term loans	4,850	-
Current portion of long-term loans	29	-
Principal	4,850	-
Interest	29	-

Liabilities under lease contracts with related parties

in BGN'000	30 September 2024	31 December 2023
Entities under common control of persons exercising control	2,261	2,447
	2,261	2,447
Long-term portion	2,008	2,199
Short-term portion	253	248

The fee due under a lease contract concluded with an entity under the common control of the persons exercising control for the nine months of 2024 amounts to BGN 235 thousand, and the cash outflow is BGN 235 thousand.

Trade and other receivables from related parties

in BGN'000	30 September 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	311	9
	311	15

Related party purchase and sale transactions

in BGN'000	30 September 2024	30 September 2023
Revenue from contracts with customers		
Entities over which the persons exercising control have significant influence or are members of their key management staff	62	52
Rental income		
Entities over which the persons exercising control have significant influence or are members of their key management staff	73	65
Other income		
Persons exercising control	-	4
Entities over which the persons exercising control have significant influence or are members of their key management staff	4	5
	139	126

in BGN'000		30 September 2024	30 September 2023
Costs of materials			
	Entities under common control of persons exercising control	46	22
Costs of hired services			
	Entities under common control of persons exercising control	-	10
	Entities over which the persons exercising control have significant influence or are members of their key management staff	196	462
Other expenses			
	Entities under common control of persons exercising control	52	38
	Entities over which the persons exercising control have significant influence or are members of their key management staff	-	1
Other finance costs			
	Entities over which the persons exercising control have significant influence or are members of their key management staff	66	60
		360	593

Interest income on short-term deposits placed with a bank-related party (entities over which the persons exercising control have significant influence or are members of their key management staff) in the first nine months of 2024 amounts to BGN 1,029 thousand (the nine months of 2023: BGN 757 thousand). Interest on deposits paid by the bank during the period amounted to BGN 1,212 thousand (the nine months of 2023: BGN 716 thousand).

Commissions were paid in the first nine months of 2024 to a bank-related party (entities over which the persons exercising control have significant influence or are members of their key management staff) for the purchase of US government securities in the amount of BGN 14 thousand (the nine months of 2023: BGN 17 thousand).

Movements of loans from related parties

in BGN'000		Amounts received / (provided)	Amounts (paid)/ refunded	Interest (expenses)/ income	Interest paid
Persons exercising control	30 September 2024	4,850	-	(29)	-
Persons exercising control	30 September 2023	-	(157)	(18)	(1)
	30 September 2024	4,850	-	(29)	-
	30 September 2023	-	(157)	(18)	(1)

Movements of loans to related parties

in BGN'000		Amounts received / (provided)	Amounts (paid)/ refunded	Interest (expenses)/ income	Interest paid
Associated companies	30 September 2024	-	-	3	-
Associated companies	30 September 2023	-	-	-	-
	30 September 2024	-	-	3	-
	30 September 2023	-	-	-	-

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, 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, except of those disclosed below. For the period ended 30 September 2024 (31 December 2023: Nil), the Group had not written down related party receivables. A review for expected credit losses due to impairment is made every financial year through examining the financial position of the related party, economic environment and the market in which the related party operates.

11. COMMITMENTS AND CONTINGENCIES

11.1. CAPITAL COMMITMENTS

In June 2024, the Group signed three contracts for the construction of three new 64,100 DWT bulk carriers, with an expected delivery date of the first vessel at the end of October 2027 and of the other two – in the first quarter of 2028. The total price for the three ships is USD 104,350 thousand.

In August 2024, the Group transferred the first advance payment under the shipbuilding contracts, totalling USD19,113 thousand. The balance is payable gradually during the construction process, with the most significant portion thereof being due in 2027 and 2028.

The total amount of the agreed capital commitments at the reporting period-end, which have not been recognised as liabilities, is USD 85,237 thousand.

11.2. LEGAL CLAIMS

There are no significant legal claims brought against the Group.

11.3. GUARANTEES

According to Bank Loan Contract 22F-001225 for granting a total limit for working capital financing, issuance of bank guarantees and letters of credit in the amount of up to BGN 12,000 thousand as of 30 September 2024:

- Bank guarantees were issued to Group companies, namely IHB Metal Castings AD in the amount of BGN 20 thousand, ZMM Nova Zagora in the amount of BGN 7 thousand and Bulyard Shipbuilding Industry EAD in the amount of BGN 50 thousand (31 December 2023: BGN 163 thousand).

The unutilised limit under Contract No. 22F-001225 amounted to BGN 11,923 thousand as of 30 September 2024.

In June and July 2024, Industrial Holding Bulgaria PLC issued three corporate guarantees to guarantee the performance of the subsidiaries' obligation to make advance payments under the three shipbuilding contracts signed in June 2024.

The corporate guarantees secure all advance payments before the ship's delivery in the total amount of USD 52,175 thousand and any possibly due interest for delay. Guarantees are valid until the payment of all advance payments (from first to fourth), which is expected to be made by the end of 2027. The obligation under the guarantees may also be terminated if the contracts are terminated by the buyer in accordance with the agreed terms and conditions. The amount of the corporate guarantees is reduced by every payment made under the shipbuilding contracts. At the beginning of August 2024, the Group financed the first advance payment of USD19,113 thousand in total with its own funds (after obtaining the cross-bank guarantees from the seller).

11.4. 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.

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

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

Non-systematic risks specific to the Company

Risks associated with the Group's portfolio structure

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

Risks arising from pandemics and epidemics

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 associated with climate change

Like many other regions of the world, Bulgaria is exposed to almost all risks related to climate change. On the one hand, these risks can have a significant impact on the building stock and machinery, which requires adaptation arrangements to be made (such as the use of sustainable building materials, energy efficiency measures, change in the way of designing, investments in low-energy technologies, etc.) to minimise the negative effect. On the other hand, climate change poses threats to employees' health and safety. The higher temperatures and worsened air quality increase the risk of health issues and reduce productivity, which also requires additional adaptation arrangements (cooling of the working environment, provision of areas for rest, health programs, etc.). Natural disasters such as floods, earthquakes, etc., resulting from these risks can cause both loss of human life and significant 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.

Climate risks can also impact financial stability, reputation and operational continuity, requiring a comprehensive sustainability and adaptation strategy that includes assessing materiality and integrating sustainable practices across all levels of business operations.

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 significantly regulations in this area. The pressure on phasing out 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, and other financial burdens to compensate harmful ecological footprint.

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.

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 competent bodies of the Company. 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 minimising the effects of the changes in the floating interest rate component. In 2024, the trend of relatively high interest rates and more stringent fiscal terms and conditions continued, caused by strengthening the Central banks' policies due to the high inflation rates worldwide in 2022 and 2023.

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.

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

Maritime transport

In 2024, contracts were signed for the construction of three new bulk carriers to be manufactured in China. Delivery is expected in 2027/2028.

Freight market trends for 2024 show a rise in freight rates driven by increased demand for tonnage in specific segments and an increase in sailing distances as a result of the Red Sea crisis. The recovery of the Panama Canal's navigability that has begun should reduce freight rates, but the lack of a foreseeable horizon for resolving the Red Sea conflict may offset this impact.

Freight rates are expected to remain high through the remainder of 2024, but demand may decline amid high inventories among importers. Market participants forecast freight rates to ease in 2025 if conditions in the Panama Canal return to normal and the Red Sea conflict is resolved. The escalation of geopolitical tensions linked to EU and US concerns over cheap Chinese exports could lead to the introduction of trade barriers by the West and negatively affect the growth of the global economy (i.e. reduce bulk demand).

The rate of cutting old ships is expected to remain relatively low.

There has also been a 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.
- 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.
- Introducing new rules to combat adverse climate change (such as EEXI/CII/EU-ETS) is expected to continue stimulating the low sailing speed and put significant price pressure on the freight market.

Based on the annual operational efficiency indicator Carbon Intensity Index (CII) for 2023, all ships were rated C (the scale is A to E, with A being a better-performing ship). 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 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. As of the end of the third quarter of 2024 also saw a trend away from Turkish factories. All that positively impacted the orders of **Bulyard Shipbuilding Industry**.

In 2024, there was 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.

Disrupted supply chains continue to keep prices high for some materials.

Ship design

Currently, the most significant trends in the ship design sector are mainly focused on energy transformation and digitalisation, emphasising new technologies for decarbonisation and sustainable shipping. Despite innovations in

hydrogen solutions, the realisation of these changes has been slow - shipbuilding companies are waiting for new regulations and standards to evolve, creating challenges and significant opportunities for innovation in the sector.

Tighter measures and rules to reduce the greenhouse effect of ships are affecting 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. 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.

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).

Classification and certification

In the nine months of 2024, **the Bulgarian Ship Register** (BRS, the Register) reports relatively stable levels in its revenue from foreign shipowners compared to the same period in 2023. The market stagnation seen at the beginning of the year is mainly a consequence of the postponement of dock surveys, high shipyard occupancy, and the crises in the Middle East and Ukraine region, which are deepening. However, the figures for the third quarter of the year show an improving trend. There has been an increase in surveys of ships sailing on inland waterways and in small craft.

By the end of 2024, BRS is expected to sign a contract to carry out conventional surveys on behalf of the Guinea-Bissau Administration, which will expand the range of services offered and is a prerequisite for finding new clients.

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

Port operations

Cereal turnover in 2024 is expected to be at the same or slightly improved levels compared to 2023. Their production in the EU is down this year - maize and sunflower harvests have low yields and Bulgaria is forecasting an increase in imports of these crops by sea, mainly due to the multiple processing facilities that have been built. Trends are for no holding of produce in storage by farmers and grain traders. Ongoing geopolitical tensions as well as various trade agreements and policies may negatively impact grain trade.

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 new quay wall and necessary storage facilities were completed; dredging activities are currently underway.

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.

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.

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 entirely using geothermal energy.

Machine building

Traditionally, **ZMM Bulgaria Holding and its subsidiaries** export products to customers in Europe, Asia, Africa and North America. The machine-building group's lathes are used in the mining, textile, paper and shipbuilding industries, and are also suitable for equipping the bases of vocational schools.

The unstable economic environment in Europe, together with long-term interest policies, is contributing to increasing volatility in customers' investment activity. Towards the end of September 2024, there is increased demand for machinery from customers in countries such as Ukraine, Czech Republic, Poland, Spain. At the end of the third quarter of 2024, some European countries have surpassed their 2023 levels.

The option to use own electricity from the operating solar plants of the machine-building group has a positive impact on the profitability of the offered products.

The machine-building industry faces several key challenges:

- Intense competition: the market is highly competitive, with the established international players seeking to gain a competitive edge through product innovation and partnerships. In Europe, ZMM Bulgaria Holding is the only manufacturer of a wide range of universal lathes.
- 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.

14. INFORMATION PURSUANT TO APPENDIX N 4 TO ORDINANCE N 2 ON INITIAL AND SUBSEQUENT DISCLOSURE OF INFORMATION IN PUBLIC OFFERING OF SECURITIES AND ADMISSION OF SECURITIES TO TRADING ON A REGULATED MARKET

Change in individuals exercising control over the company

There were no changes in the ultimate persons exercising control over the Company as of 30 September 2024.

As of 30 September 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 30 September 2024: 66,103,955 shares held directly, representing 9.98% of the capital

2. DZH AD

Number of voting shares and their share of the votes at the General Meeting of Shareholders of the company:

As of 30 September 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 30 September 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 30 September 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 66,103,955 shares held directly, representing 68.28% of the capital, or directly and through related parties and through controlled parties 75,803,519, representing 78.30% 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

In June 2024, three contracts were signed with the vendor Sumec Marine Co. Ltd., China, and New Dayang Shipbuilding Co. Ltd., China, for the construction in China of three new 64,100 DWT bulk carriers for the IHB fleet. The ships will be acquired by new subsidiaries established for the purpose - Vaya Ltd, Karia Ltd and Ticha LTD, Marshall Islands. The total investment is USD 104,350 thousand with an expected delivery date of the first vessel of October 2027, and April and May 2028, respectively, for the next two ships. In accordance with the requirements of the Public Offering of Securities Act (POSA), the subsidiaries have obtained prior approval from the Board of Directors of Industrial Holding Bulgaria for the above transactions and the conclusion of the contracts.

In June and July 2024, Industrial Holding Bulgaria PLC issued three corporate guarantees to guarantee the performance of the subsidiaries' obligation to make advance payments under the three shipbuilding contracts signed in June 2024. The authorisation of the General Meeting of Shareholders of the company was obtained for the issuance of these guarantees in compliance with Article 114, paragraph 1, item 2 of the POSA.

The corporate guarantees secure all advance payments before the ship's delivery in the total amount of USD 52,175 thousand and any possibly due interest for delay. Guarantees are valid until the payment of all advance payments (from first to fourth), which is expected to be made by the end of 2027. The obligation under the guarantees may be terminated if the contracts are terminated by the buyer in accordance with the agreed terms and conditions. The amount of the corporate guarantees is reduced by every payment made under the shipbuilding contracts. At the beginning of August 2024, the subsidiaries-ship owners, after obtaining the cross-bank guarantees from the seller, transferred the first advance payment of USD19,113 thousand in total.

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

In April 2024, the General Meeting of Shareholders of ZMM Nova Zagora AD resolved on increasing the company's capital. In this procedure, only the parent company ZMM Bulgaria Holding EAD subscribed for new shares, and the other shareholders did not exercise their rights. As a result, the Group's share in ZMM Nova Zagora AD increased from 99.45% to 99.66%.

In May 2024, Industrial Holding Bulgaria PLC acquired from Bulyard Shipbuilding Industry EAD 16,839,330 shares of the capital of Bulport Logistika AD, which is 46.12% of its capital.

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

N/A

This Public Notification has been prepared in accordance with the requirements of Art. 100o1, par. 4 in conjunction with par. 2 of POSA.

Daneta Zheleva
Chief Executive Officer
Industrial Holding Bulgaria PLC

Ivan Rashkov
Chief Accountant

Vladislava Zgureva
Investors Relations Director