



INDUSTRIAL HOLDING BULGARIA PLC

**PUBLIC NOTIFICATION FOR FINANCIAL POSITION
ON A STAND-ALONE 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.

The scope of activity of the Company includes the acquisition, management, assessment and sale of shares in Bulgarian and foreign companies; acquisition, assessment and sale of patents; cession of licenses to use patents to companies in which the Company holds shares, financing of companies in which the Company holds shares, as well as any other activity not prohibited by law.

The existence of the Company shall be perpetual and the Company is not limited by other resolute condition.

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

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 2024

in BGN'000	30 September 2024	30 September 2023
Interest and dividend income	6,969	8,619
Other income, net	5	19
	6,974	8,638
Employee benefit expenses	(610)	(580)
Hired service expenses	(193)	(163)
Other operating expenses	(220)	(180)
Operating profit	5,951	7,715
Finance income	820	303
Finance costs	(968)	(171)
Operating profit before taxes	5,803	7,847
Income tax (expense)/benefit	(10)	-
Profit for the period	5,793	7,847
Other comprehensive income / (loss)	-	-
Total comprehensive income for the period	5,793	7,847

SEPARATE STATEMENT OF FINANCIAL POSITION

As of 30 September 2024

in BGN'000	30 September 2024	31 December 2023
Assets		
Non – current assets		
Non-current tangible and intangible assets	408	218
Right-to-use assets	626	684
Investments in subsidiaries	208,164	198,339
Loans to related parties	61,439	48,786
Differed tax asset	6	6
Total non-current assets	270,643	248,033
Current assets		
Loans to related parties	2,343	943
Trade and other receivables	1,984	656
Cash and cash equivalents	19,704	38,313
Total current assets	24,031	39,912
TOTAL ASSETS	294,674	287,945
Equity and liabilities		
Equity		
Share capital	96,808	96,808
Share premium	31,016	31,016
Statutory and other reserves	9,661	9,661
Retained earnings	134,311	128,518
Total equity	271,796	266,003
Non-current liabilities		
Interest-bearing bank loans	13,353	14,835
Loans and deposits from related parties	4,850	-
Lease liabilities	569	624
Retirement benefit liabilities	45	45
Total non-current liabilities	18,817	15,504
Current liabilities		
Interest-bearing bank loans	3,926	3,274
Loans and deposits from related parties	29	294
Lease liabilities	72	70
Trade and other payables	24	2,800
Income tax liabilities	10	-
Total current liabilities	4,061	6,438
Total liabilities	22,878	21,942
TOTAL EQUITY AND LIABILITIES	294,674	287,945

SEPARATE STATEMENT OF CASH FLOWS

For the period ended 30 September 2024

in BGN'000	30 September 2024	30 September 2023
Operating activity		
Dividends received	2,495	3,899
Cash loans repaid from related parties	30,654	13,236
Cash loans to related parties	(45,363)	(15,879)
Interest received on loans to related parties	1,028	1,003
Payments for the acquisition of stocks and shares, and for increasing the capital of subsidiaries	(26,972)	-
Proceeds from decrease of the capital of subsidiaries	14,422	-
Purchase of debt instruments (US government securities)	(9,349)	(11,523)
Proceeds from sale of debt instruments (US government securities)	10,157	-
Interest received on bank deposits	961	548
Employee benefit related payments	(608)	(585)
Foreign exchange differences	185	(101)
Other proceeds / (payments), net	(368)	(233)
Net cash flows from operating activity	(22,758)	(9,635)
Investing activity		
Purchase of non-current tangible and intangible assets	(236)	(78)
Sale of non-current tangible and intangible assets	-	9
Net cash flows used in investing activity	(236)	(69)
Financing activity		
Interest-bearing bank loans received	1,457	7,684
Principal paid on interest-bearing bank loans	(2,286)	-
Interest and charges paid on interest-bearing bank loans	(219)	(132)
Loans and deposits from related parties	5,500	1,099
Lease liabilities paid	(53)	(68)
Interest paid on leases	(14)	(11)
Other proceeds and payments	-	2
Net cash flows used in financing activity	4,385	8,574
Net increase of cash and cash equivalents	(18,609)	(1,130)
Cash and cash equivalents on 1 January	38,313	27,264
Cash and cash equivalents on 30 September	19,704	26,134

SEPARATE STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2024

	Share capital	Share premium	Statutory and additional reserves	Retained earnings	Total
in BGN'000					
On 1 January 2023	96,808	31,016	9,661	122,294	259,779
Comprehensive income for the period					
Profit for the period	-	-	-	7,847	7,847
Total comprehensive income for the period	-	-	-	7,847	7,847
On 30 September 2023	96,808	31,016	9,661	130,141	267,626
On 1 January 2024	96,808	31,016	9,661	128,518	266,003
Comprehensive income for the period					
Profit for the period	-	-	-	5,793	5,793
Total comprehensive income for the period	-	-	-	5,793	5,793
On 30 September 2024	96,808	31,016	9,661	134,311	271,796

1. INTEREST AND DIVIDEND INCOME

in BGN'000	30 September 2024	30 September 2023
Dividend income	4,935	6,755
Interest income	2,034	1,864
	6,969	8,619

Dividend income of BGN 4,935 thousand was reported in the first nine months of 2024 (the first nine months of 2024: BGN 2,594 thousand), distributed by:

in BGN'000	30 September 2024	30 September 2023
ZMM Bulgaria Holding EAD	2,163	4,295
KRZ Port Burgas AD	2,341	1,405
IHB Shipdesign AD	221	798
Maritime Holding AD	210	257
	4,935	6,755

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

in BGN'000	30 September 2024	30 September 2023
Interest income on loans – related parties	1,034	1,069
Interest income on deposits with banks - related parties	713	441
Interest income on deposits with banks - unrelated parties	172	137
Interest income on short-term government securities	115	217
	2,034	1,864

2. OTHER INCOME, NET

in BGN'000	30 September 2024	30 September 2023
Rental income	-	10
Other income	5	9
	5	19

3. EMPLOYEE BENEFIT EXPENSES

in BGN'000	30 September 2024	30 September 2023
Wages and salaries	(525)	(502)
Social insurance costs and other fringe benefits	(85)	(78)
	(610)	(580)

4. OTHER OPERATING EXPENSES

in BGN'000	30 September 2024	30 September 2023
Depreciation / amortisation expenses	(104)	(101)
Costs of materials	(14)	(27)
Other operating expenses	(102)	(52)
	(220)	(180)

5. FINANCE INCOME AND FINANCE COSTS

in BGN'000	30 September 2024	30 September 2023
Foreign exchange gains, net	-	303
Gain on sale of debt instruments (US government securities)	820	-
Finance income	820	303

in BGN'000	30 September 2024	30 September 2023
Foreign exchange losses, net	(683)	-
Interest expenses on interest-bearing bank loans	(194)	(123)
Interest expenses on loans and deposits from related parties	(35)	(21)
Interest expenses on leases	(14)	(12)
Bank charges on interest-bearing bank loans	(24)	(12)
Other finance costs	(18)	(3)
Finance costs	(968)	(171)

6. INCOME TAX

The reconciliation of income tax expenses and the accounting profit multiplied by the applicable rate for the periods ended 30 September 2024 and 30 September 2023 is as follows:

in BGN'000	30 September 2024	30 September 2023
Profit before taxes	5,803	7,847
Income tax expense at the applicable tax rate of 10% (2023: 10%)	(580)	(785)
Income, exempt from taxation – dividends	494	676
Utilisation of tax losses for which no deferred tax asset has been recognised	76	109
Income tax expense at an effective tax rate of 0.17 % (2023: 0 %)	(10)	-

As of 30 September 2024, the Company reported a deferred tax asset of BGN 6 thousand (as of 31 December 2023: BGN 6 thousand) on accrued retirement benefit liabilities, the leave liability, and a right-of-use asset.

7. INVESTMENTS IN SUBSIDIARIES

Investments, held by the Company as of 30 September 2024 and 31 December 2023 were as follows:

in BGN'000	Country of registration	Amount of the shareholding as of 30 September 2024	Percentage of the shareholding as of 30 September 2024	Amount of the shareholding as of 31 December 2023	Percentage of the shareholding as of 31 December 2023
Privat Engineering EAD	Bulgaria	45,820	100.00%	45,820	100.00%
ZMM Bulgaria Holding EAD	Bulgaria	4,795	100.00%	4,795	100.00%
KRZ Port Burgas AD	Bulgaria	4,774	99.65%	4,774	99.65%
KLVK AD	Bulgaria	46,096	67.96%	46,096	67.96%
International Industrial Holding Bulgaria AG	Switzerland	130	100.00%	130	100.00%
Maritime Holding AD	Bulgaria	400	61.00%	400	61.00%
Bulyard Shipbuilding Industry EAD	Bulgaria	53,459	100.00%	67,881	100.00%
Odessos PBM EAD	Bulgaria	33,373	100.00%	28,373	100.00%
IHB Shipdesign AD	Bulgaria	70	70.00%	70	70.00%
Bulport Logistics AD	Bulgaria	19,247	46.12%	-	-
		208,164		198,339	

In May 2024, an increase in the capital of the subsidiary Odessos PBM EAD by BGN 5,000 thousand was registered with the Commercial Register. At the date of issue of this public notification, the capital has been fully paid up.

In August 2024, a decrease in the capital of the subsidiary Bulyard Shipbuilding Industry EAD through the invalidation of shares after their acquisition by the Company was registered with the Commercial Register. The capital was decreased by 14,421,576 ordinary, materialised, registered voting shares with a nominal value of BGN 1 each.

In September 2024, a second decrease in the capital of the subsidiary Bulyard Shipbuilding Industry EAD was registered with the Commercial Register to cover prior years' losses. The capital was decreased by 34,829,684 ordinary, materialised, registered voting shares with a nominal value of BGN 1 each.

In May 2024, Industrial Holding Bulgaria PLC acquired 16,839,330 shares of the capital of Bulport Logistics AD from its subsidiary Bulyard Shipbuilding Industry EAD for the price of BGN19,247 thousand. Bulport Logistics AD is an indirect subsidiary as it is a subsidiary of the direct subsidiary of Industrial Holding Bulgaria PLC – KLVK AD.

8. CASH AND CASH EQUIVALENTS

in BGN'000	30 September 2024	31 December 2023
Cash with banks-related parties	13,540	27,431
Cash with banks-others	6,163	10,882
Cash on hand	1	-
Cash and cash equivalents presented in the Statement of Cash Flows	19,704	38,313
Restricted cash	-	-
Cash and cash equivalents presented in the Statement of Financial Position	19,704	38,313

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

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

In August 2024, the Company invested a significant part of its cash (USD 12,193 thousand) by originating a loan to its subsidiary KLVK AD, used by the latter to finance the first advance payment for Vaya LTD and Ticha LTD, Marshal Islands, under the shipbuilding contracts concluded by them in June 2024.

9. 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 No. 22F-000155 of 24 February 2022	EUR	1.40%	2029	13,353	14,835
				13,353	14,835

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 No. 22F-000155 of 24 February 2022	EUR	1.40%	2029	3,926	3,274
				3,926	3,274

in BGN'000	30 September 2024	31 December 2023
Principal payable	17,272	18,101
Interest payable	7	8
	17,279	18,109

Bank Loan Contract No. 22F-000155 was concluded to secure loan funds for investments of a subsidiary that is also a co-debtor under the contract, and guarantors are other subsidiaries. The contract is secured by mortgages on real estate (land and buildings) of the subsidiary implementing the investment project. The deadline for loan repayment was until February 2029. In the first quarter of 2024, Industrial Holding Bulgaria PLC utilised the full loan amount. The loan repayment commenced in March 2024.

Under Bank Loan Contract No. 22F-001225 concluded with a commercial bank, Industrial Holding Bulgaria PLC was granted a total limit for working capital financing, issuance of bank guarantees and letters of credit of the Holding and/or its Group companies in the amount of up to BGN 12,000 thousand. In December 2023, an annex was signed for revolving the part of the loan used as overdraft until 04 November 2024 and changing the interest rates for loans denominated in Bulgarian leva. The current floating interest rates are as follows: (a) for loans denominated in EUR – a one-month EURIBOR + 1.2%, but not less than 1.2%; (b) for loans denominated in BGN – the reference interest rate of the financing bank + 1.7%, but not less than 1.7%. The agreement is secured by mortgages on real estate (land and buildings) of a Group company, which is also a guarantor under the loan. No funds for working capital financing were utilised as of 30 September 2024.

10. LEASE

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

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

Lease liability

in BGN'000	30 September 2024	31 December 2023
Balance at the beginning of the period	694	33
Newly-occurred lease liabilities in the period	-	708
Recalculation of the lease liabilities due to modification	-	42
Non-monetary payment of lease liabilities during the period	-	(6)
Interest expenses for the period	14	17
Lease payments for the period	(67)	(100)
Balance at the end of the period	641	694
Long-term portion	569	624
Short-term portion	72	70

11. EQUITY

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

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

As of 30 September 2024 the Company's capital comprised 96,808,417 dematerialised registered voting shares with a nominal value of BGN 1 each, listed for trading on the Bulgarian Stock Exchange. The share capital is subscribed to at its nominal amount and is fully paid in. There are no preference shares or bearer's shares.

The shareholders of Industrial Holding Bulgaria PLC holding directly more than 5% of the company's capital as of 30 September 2024 are as follows:

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 natural persons and legal entities	21,046,588	21.74%
	96,808,417	100.00%

Treasury shares redeemed

By a decision of the General Meeting of Shareholders of Industrial Holding Bulgaria PLC dated 18 November 2021, another 5-year procedure was initiated with the following parameters:

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

Allianz Bank Bulgaria AD was elected as an investment intermediary.

The Company did not hold treasury shares redeemed as of 30 September 2024.

12. RELATED PARTY DISCLOSURES

The Company is a related party with the following persons in accordance with the definitions of IAS 24:

I. Persons exercising control

- Bulls AD, a company that holds directly 68.28% 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. Key management personnel, including the Management and the Supervisory Board of the Company

III. Entities under the joint control of the Persons exercising control

IV. Entities, over which the persons that have control also exercise significant influence or are members of their key management personnel

V. Subsidiaries

- Subsidiaries in which the Company holds direct control

The direct subsidiaries of Industrial Holding Bulgaria PLC as of 30 September 2024 and 31 December 2023 are disclosed in Investments in subsidiaries.

- Subsidiaries in which the Company holds indirect control
 - subsidiaries of the direct subsidiary ZMM Bulgaria Holding EAD - ZMM Sliven AD, ZMM Nova Zagora AD and IHB Metal Castings EAD;
 - subsidiaries of the direct subsidiary Privat Engineering EAD – IHB Shipping Co EAD, Karvuna Ltd, Tirista Ltd and Karia Ltd;
 - subsidiaries of the direct subsidiary KLVK AD - Bulport Logistics AD, Serdika Ltd, Odria Ltd, Ticha Ltd and Vaya Ltd.
 - subsidiaries of the direct subsidiary Maritime Holding AD – Bulgarian Register of Shipping EAD.

VI. Associated companies

- associated companies of the direct subsidiary International Industrial Holding Bulgaria AG – CI NMF I Black Sea JV Holdco B.V. and Drazhki Varna EAD.

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

in BGN'000		30 September 2024	31 December 2023
Subsidiaries	Non-current portion of long-term loans	61,388	48,735
Associated companies	Non-current portion of long-term loans	51	51
		61,439	48,786
Subsidiaries	Current portion of long-term loans	2,340	943
Associated companies	Current portion of long-term loans	3	-
		2,343	943
		63,782	49,729
	Principal	63,540	49,513
	Interest	242	216

The loan originated to Karvuna Ltd in the amount of BGN 1,340 thousand was secured by a sea mortgage on m/v Karvuna, owned by the subsidiary.

Trade and other receivables

in BGN'000		30 September 2024	31 December 2023
Subsidiaries	Dividends	1,631	140
Entities, over which the persons with control exercise significant influence or are members of their key management personnel	Prepayments	5	10
	Interest on bank deposits	67	178
Entities under joint control of the persons exercising control.	Deposit under a rental agreement	6	6
		1,709	334

Trade and other payables

in BGN'000		30 September 2024	31 December 2023
Subsidiaries	Capital increase liabilities	-	2,725
Entities under joint control of the persons exercising control	Payables to suppliers	-	3
		-	2,728

Cash with banks - related parties

in BGN'000		30 September 2024	31 December 2023
Entities, over which the persons with control exercise significant influence or are members of their key management personnel		13,540	27,431
		13,540	27,431

Loans from related parties

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

Deposits from related parties

in BGN'000		30 September 2024	31 December 2023
Subsidiaries	Short-term deposits	-	294
		-	294
	Principal	-	293
	Interest	-	1

Lease liabilities under contracts with related parties

in BGN'000		30 September 2024	31 December 2023
Entities under joint control of the persons exercising control		641	694
Balance at the period-end		641	694
	Long-term portion	569	624
	Short-term portion	72	70

The fee due under a lease contract concluded with a company under joint control of the persons exercising control in the first nine months of 2024 is BGN 67 thousand and the cash outflow is BGN 67 thousand.

12.2. RELATED PARTY TRANSACTIONS**Sales transactions**

in BGN'000		30 September 2024	30 September 2023
Dividend income	Subsidiaries	4,935	6,755
Rental income	Subsidiaries	-	10
Revenue from sales of fixed assets	Subsidiaries	-	1
		4,935	6,766

Purchase transactions

in BGN'000		30 September 2024	30 September 2023
Hired service expenses	Entities under joint control of the persons exercising control	-	10
	Entities, over which the persons with control exercise significant influence or are members of their key management personnel	9	-
Other expenses	Entities under joint control of the persons exercising control	31	16
Other finance costs	Entities, over which the persons with control exercise significant influence or are members of their key management personnel	1	2
		41	28

In May 2024, Industrial Holding Bulgaria PLC acquired 16,839,330 shares of the capital of Bulport Logistics AD from its subsidiary Bulyard Shipbuilding Industry EAD for the price of BGN19,247 thousand. Bulport Logistics AD is an indirect subsidiary as it is a subsidiary of the direct subsidiary of Industrial Holding Bulgaria PLC – KLVK AD.

Loans to related parties

in BGN'000		Loans granted	Non-monetary increase/ (decrease)	Received principal	Interest income	Received interest
Subsidiaries	30 September 2024	(45,363)	-	30,654	1,031	1,028
Associated companies	30 September 2024	-	-	-	3	-
Subsidiaries	30 September 2023	(15,879)	-	13,236	1,069	1,003
Associated companies	30 September 2023	-	-	-	-	-
		(45,363)	-	30,654	1,034	1,028
		(15,879)	-	13,236	1,069	1,003

Loans granted as of 30 September 2024 mature in 2024-2032. The agreed interest rates vary from 2.1% to 3.75%, except for: (a) an investment loan granted to a subsidiary, which bears an interest rate of 1.6%; the loan was financed by a targeted bank loan, and (b) a loan granted to an associated company, which bears an interest rate of 7.50%.

Interest income on deposits placed by Industrial Holding Bulgaria PLC with a bank-related party (entities over which the persons with control exercise significant influence or are members of their key management personnel) in the first nine months of 2024 amounts to BGN 713 thousand. Interest on deposits paid by the bank during the period amounted to BGN 824 thousand.

In May 2024, an increase in the capital of the subsidiary Odessos PBM EAD by BGN 5,000 thousand was registered with the Commercial Register, which was fully paid as of 30 September 2024. In the nine months of 2024, BGN 2,725 thousand was also contributed to the 2023 increase in the subsidiary's capital.

Loans from related parties

in BGN'000		Received loans	Non-monetary increases/ (decreases)	Reimbursed principal	Interest expenses	Paid interest
Persons exercising control	30 September 2024	4,850	-	-	(29)	-
Persons exercising control	30 September 2023	-	-	-	(17)	-
	30 September 2024	4,850	-	-	(29)	-
	30 September 2023	-	-	-	(17)	-

Deposits from related parties

in BGN'000		Received deposits	Non-monetary increases/ (decreases)	Reimbursed principal	Interest expenses	Paid interest
Subsidiaries	30 September 2024	650	(950)	-	(6)	-
Subsidiaries	30 September 2023	1,099	(1,103)	-	(4)	-
	30 September 2024	650	(950)	-	(6)	-
	30 September 2023	1,099	(1,103)	-	(4)	-

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

Terms and conditions of related party transactions

The sales to and purchases from related parties are made on contractual terms. Outstanding balances at the year-end are unsecured (except for loans) and interest-free (except for specific loans), and settlement occurs in cash. No guarantees have been provided or received for any related party receivables or payables. The Company has recognised no impairment losses as of 30 September 2024 (31 December 2023: Nil). An impairment testing is carried out each financial year based on an analysis of the financial performance of the related party and the market in which the related party operates.

13. COMMITMENTS AND CONTINGENCIES

Legal claims

No legal claims have been brought against the Company.

Guarantees

Under Contract No. 22F-001225 signed with a commercial bank, a loan for granting a total limit for working capital financing, issuance of bank guarantees and letters of credit of the Holding and/or Group entities with a limit of up to BGN 12,000 thousand, as of 30 September 2024:

- bank guarantees were issued to Group companies, namely IHB Metal Castings AD for BGN 20 thousand, ZMM Nova Zagora for BGN 7 thousand, and Bulyard Shipbuilding Industry EAD for 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 concluded 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 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, including USD 12,193 thousand financed by Industrial Holding Bulgaria PLC and the remaining balance by its subsidiary Privat Engineering EAD.

Collateral

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

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

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

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

Non-systematic risks specific to the Company

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

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

Risks arising from pandemics and epidemics

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

Risks 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 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 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.

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

Maritime transport

In 2024, IHB began the renewal of its fleet. 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. After several years of significantly reducing average sailing speed, the trend is to stabilise around current levels. Port congestion is also decreasing.

There has also 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.
- 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). 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 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.

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

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. 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 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. Despite the demand for cruise ships, including design services for them, orders are still weak due to the general uncertain environment fuelled by high 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. Business relationships have been established with manufacturers of shore-to-ship technologies, battery systems and electrical control systems, enabling an expansion of the range of products and services offered in this rapidly growing area.

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 this regard, BRS continued to expand its agent network in 2024. Negotiations are also underway to work together with companies from Romania, Ukraine, Croatia and Egypt. 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. 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.

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.

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

Change in individuals exercising control over the company

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

Daneta Zheleva

Chief Executive Officer

Industrial Holding Bulgaria PLC

Ivan Rashkov

Chief Accountant

Vladislava Zgureva

Investors Relations Director