



INDUSTRIAL HOLDING **BULGARIA**

# PRESENTATION

Bulgaria Forum

German Equity Forum

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Frankfurt am Main

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Member of the Management Board

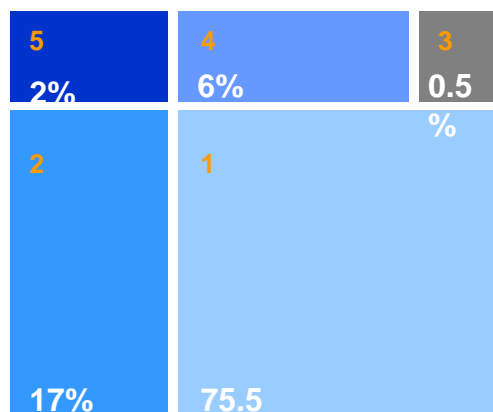
# About IHB

- Public limited company managing a portfolio of companies
- Listed on the official market of BSE-Sofia
- The shares are in the indexes: BG40, SOFIX, BGTR30, DJSTOXX EU Enlarged, Dow Jones Wilshire, Dow Jones STOXX Balkan 50 Equal Weighted Index
- In businesses of strategic interest - a controlling stake of over 51%. Partnerships in projects with significant influence – up to 50%
- Determines the strategy of its portfolio of companies
- Main investments as at 2008 are in the maritime business, machine building and river cruises
- Pursuing constant optimization of its investment portfolio

# Capital and shareholders

- At present Issued capital of BGN 43 756 118 (EUR 22 372 491), distributed in 43 756 118 ordinary voting shares with BGN 1 nominal value
- Shareholders' structure as at 30 Sept 2008
  - Institutional : over 200 – 84% / Retail : over 55 000 – 16% of the capital
  - Domestic : 60% of the capital / Foreign : 40% - UBS, Raiffeisen Zentralbank, Bank of New York, Bank Austria Creditanstalt, NBG, Hansapank Clients, ABN Amro Bank, Mei-Roemenie, EFG Eurobank, Danske fund and/or their clients
  - Over 5% : 4 legal entities – Venside Enterprises Ltd. (31%), Bulls AD (13%), DZH AD ( 6%), Central Cooperative Bank (5%)
  - Free float : 46% (20 007 035 shares)

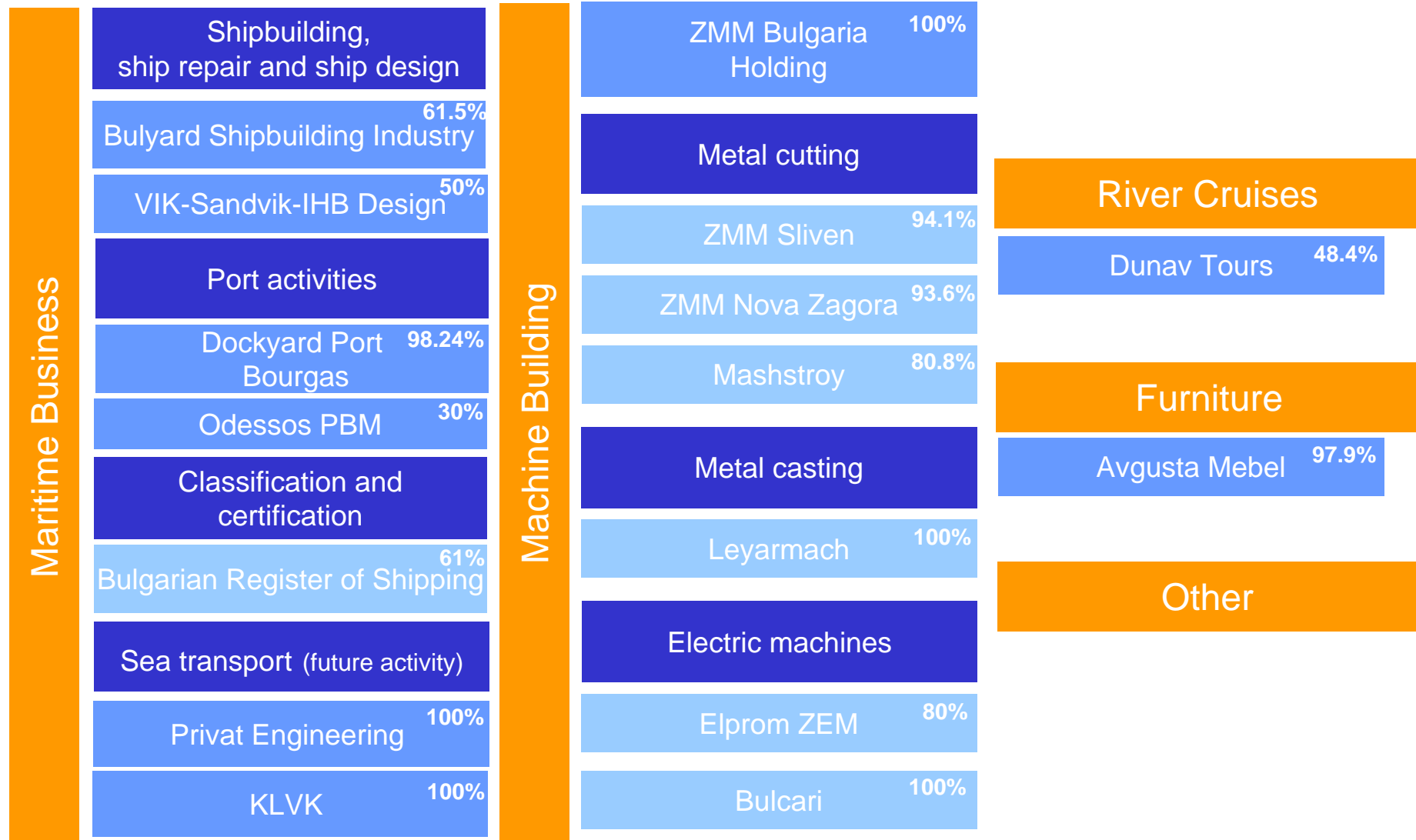
## Portfolio structure by industries as at September 30, 2008



Investments : BGN 47 million

- 1 Maritime business
- 2 Machine building
- 3 Furniture production
- 4 River cruises
- 5 Other

# Portfolio



\* Percentages indicate IHB's share

# Summary

- Sustainability:
  - Focused on export oriented, strategic internationally sectors as shipbuilding, ship repair, port activities, shipping and machine building /hydro power energy infrastructure/.
  - Pursuing constant optimization of the investment portfolio. Present focal areas are maritime, machine building and river cruises businesses.
  - Good record for successful portfolio management – profitable and timely divestment, entrance in new businesses with good potential.
  - Active investment policy.
- Healthy financial performance:
  - Steady operating revenues growth with CAGR of 37% over the last 5 years.
  - Net income with CAGR of 37% over the last 5 years.
  - Starting from 2009 new cash flow source expected from the shipping business.
- Far-sighted corporate culture:
  - The constant strive to improve quality and meet customer needs win new markets and clients both in Bulgaria and overseas.
  - Employees are continuously trained and motivated to achieve corporate goals.

# Summary

Potential risks in the present economic crises prospective /

Reflection on IHB / measures undertaken:

- Lack of confidence in the market – share prices fall, difficulties with financing projects
  - IHB has just issued successfully a convertible bonds issue for BGN 22 m for investment projects in shipping, port activities and other
- Lack of trust between banks and clients – increase of loan interests, hard access to loans for the companies and their clients
  - IHB does not have big loan exposure – as at 2Q2008 long and short term loans are BGN 13 m v/s BGN 166 m long term assets and BGN 398 m total assets.
  - Potential risk for difficulty with financing for the clients for IHB subsidiaries.
- Decrease in orders respectively in production of investment goods due to decrease in global production and consumption
  - IHB management has prepared a crisis action plan in case of decrease production of metal cutting machines and furniture decreases in 2009.
  - No indication for decrease in shipbuilding and electric machines production at present. Companies execute orders by contracts with delivery for 1-2 years ahead.
  - No decrease in port operations is expected for IHB ports despite the worldwide decrease in cargo: as it makes general cargo operations and the market share in port operations in the region is relatively small.

# Group Revenues Breakdown

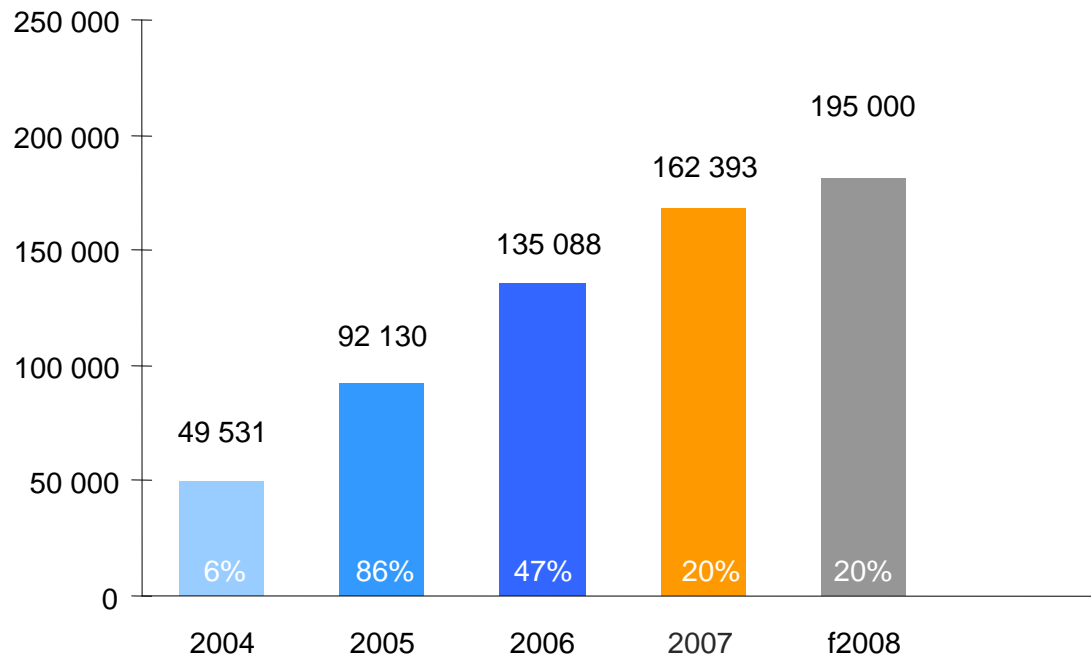
Operating revenue by industries ('000 BGN)*	2004	2005	2006	2007	1H2007	1H2008
Shipbuilding**	0	7 327	66 439	82 935	18 888	7 667
Ship repair	18 232	14 627	7 361	3 827	2 116	3 136
Port operations	0	484	1 039	3 176	1 436	2 307
Classification and certification	1 731	2 076	1 921	2 047	1 025	1 142
Ship design	0	0	0	550	-	655
Machine building, including:	37 114	43 997	48 250	57 393	26 016	31 969
Metal-cutting machines	29 655	34 261	36 329	43 768	21 387	24 302
Electric machines	4 358	5 941	8 145	9 013	2 276	5 177
Metal Casting	3 101	3 795	3 776	4 612	2 353	2 490
River Cruises	8 527	8 820	11 887	18 412	8 424	8 200
Furniture	2 982	2 558	3 032	2 476	1 393	1 977
Other	4 222	4 174	1 889	1 434	856	2 323
<b>Operating revenue (after eliminations)</b>	<b>48 117</b>	<b>70 097</b>	<b>132 404</b>	<b>147 386</b>	<b>51 989</b>	<b>41 015</b>

•Does not include “Other operating income”; Before inter-group eliminations.

•\*\*The revenues for 1H2008 from shipbuilding are lower because of the method of accounting the stages of shipbuilding and not because of low production.

# IHB | Revenues

Operating revenue (BGN '000) and YoY growth rates

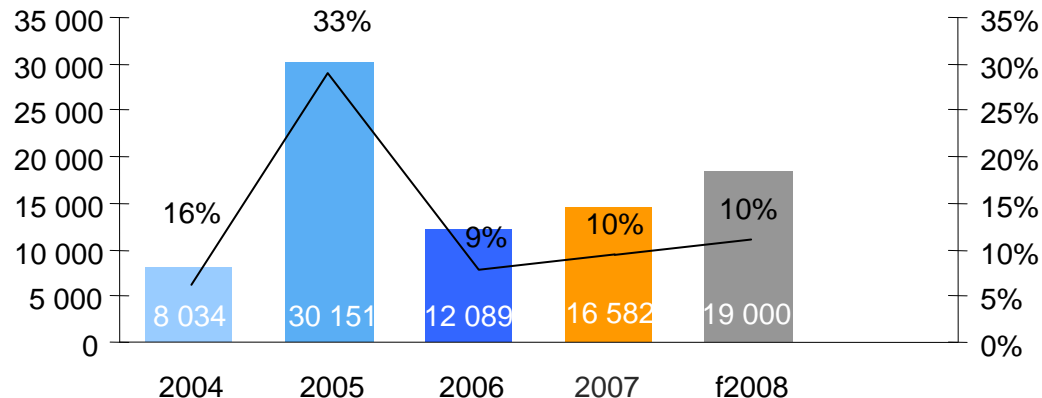


- Sustained operating revenues growth driven by shipbuilding



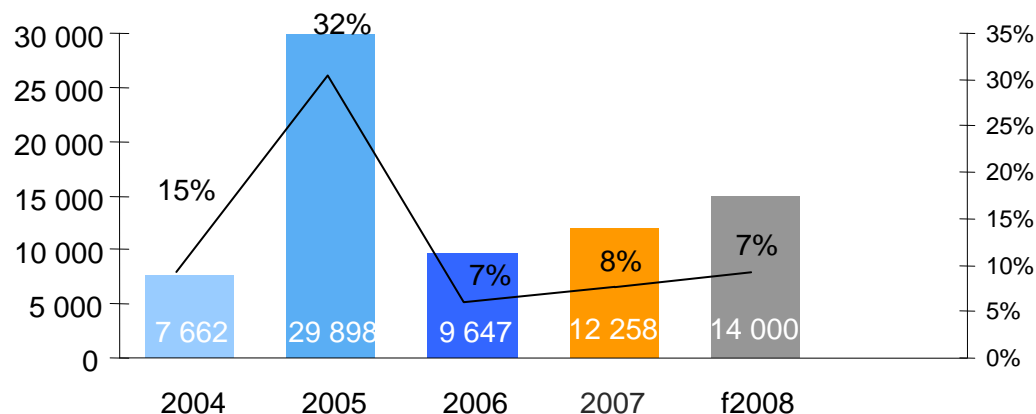
# IHB | Profitability

**EBITDA (BGN '000) and EBITDA margin**



- 2005 profitability hike due to sale of the real estate portfolio and the 12%-stake in Dockyard Odessos

**Net profit (BGN '000) and net profit margin**



# Maritime Business

## Shipbuilding, Ship repair, Ship design

### Bulyard Shipbuilding Industry

- Building of whole ships, construction of separate ship sections and units
- Operations took off in 2005 and already in 2007 shipbuilding generates 46% of total operating revenues
- Ship repair and reconstruction operations provide for the 100% capacity utilization
- Production facilities: 2 dry docks; total length of ship repairing quay 1 200m



# Bulyard SI | Order-book

## Order book and deliveries

- Contracts signed for construction of 15 new ships of different type:
  - 3 ships - 9800 DWT bulk carrier / multipurpose , 3 ships - 21000 DWT bulk carrier, 2 ship – 42000 DWT, 7 ships - 56000 DWT Super Handymax F56 /Contract with IHI Marine United Inc. – Japan /Mitsubishi Corp./ for construction licence for the popular Super Handymax F56
  - Contract for 1 hull for supply vessel
- 4 ships and 1 hull for supply vessel already delivered
- Contracts for construction of hull sections

## Growth opportunities

- Potential to generate additional and higher-value orders through the newly-founded (in 2007), VIK-Sandvik-IHB Design
- Possibilities for participation in large projects related to military shipbuilding

## Shipping

### IHB Shipping Co

- Operating the ships owned by IHB and subsidiaries Privat Engineering and KLVK  
5 ships total, 2 ships – 9800 DWT /delivery 2009/, 1 ship – 21 000 DWT /delivery 2009/  
and 2 ships F56 type – 57 000 DWT /delivery 2010-2011/
- Start operations from 2009 when the first 2 multipurpose bulk carrier 9800 DWT will be delivered





# Maritime Business

## Port operations

### Dockyard Port Bourgas, Odessos PBM

- Port operations and related activities on/from ships and land vehicles
- Certificates for processing of general, liquid and bulk cargo
- Located on own terrain
- In 2007 both ports expanded the scope of processed freight
- 2007 core sales of BGN 3.7 and profit (excl. one-offs) of BGN 224k are still moderate but with great potential for growth
- Active investment policy including expansion of Dockyard Port Bourgas
- Dockyard Port Bourgas envisages a 40% increase in processed cargo for 2008



# Machine Building

## ZMM Bulgaria Holding

## Metal-cutting & Electrical machines & Foundry

- Even though the sector is in mature phase, revenues are growing healthily at a CAGR of 16% over the last 4 years.
- Despite their falling share in IHB's operating revenues (2004: 75%; 2007: 34%) the companies are a steady source of cash for the group as a whole.
- Cost optimization through centralized contracting and marketing policies.
- Longer-term projects have options for price re-negotiations with regards to inflation and commodity markets developments.



# Machine Building

## Looking ahead

- To prolong the products' life cycle, the companies undertake constant improvements in the design and technical characteristics, as well as search for new markets and customers.
- Production facilities are constantly being modernized to improve quality and working conditions, to increase productivity and to resolve bottlenecks.
- In future, the focus will be on identifying areas of competitive advantages within the various companies and restructuring production on this basis. By applying the market principle, inefficient units and production lines will be considered for closure and the relevant services outsourced.

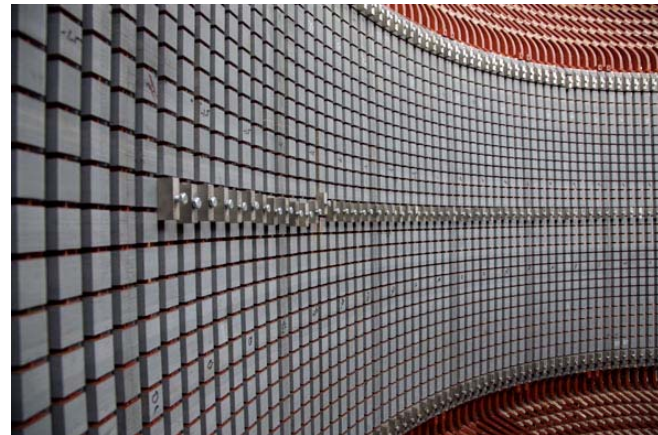




## Renewable energy sources capabilities

### Elprom ZEM

- The largest manufacturer of rotating electric machines in the region with 60 years experience in producing and repair of electric machines
- Hydro Generators lifecycle support provider – from research & development and design through production, exploitation and maintenance to upgrade and modernization





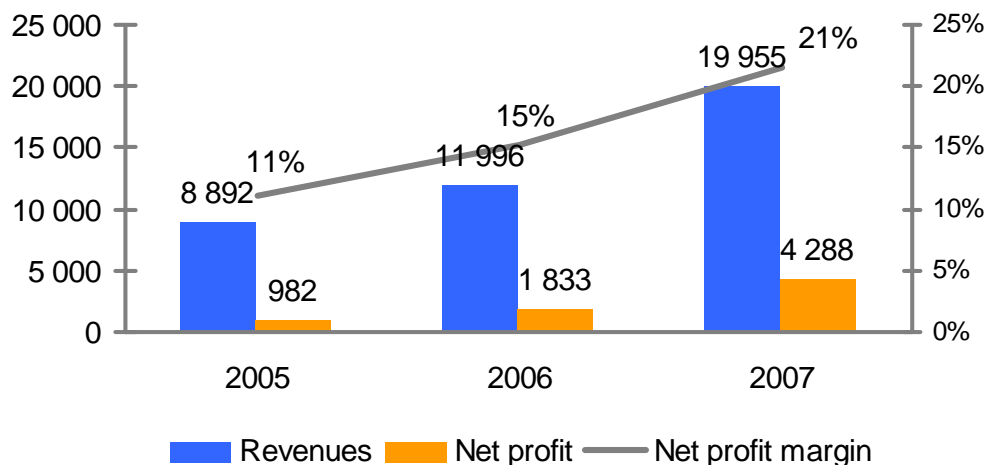
# River Cruises

## Dunav Tours

- Owner of 5 four- and five-star passenger ships for river cruises on the rivers Rhine – Main – Danube and the Moselle. Total capacity: 817 passengers.
- Owns a pontoon on the Danube River suitable for all types of river vessels and servicing more than 280 ships in a year.
- The European river cruises market has enjoyed an enormous development since the nineties with still considerable potential in terms of tourist interest.



(BGN '000)



# Furniture Production

## Avgusta Mebel

- Production of hotel, home, office and industrial furniture. Since 2007 started producing ship furniture and furniture for containers for living of workers.
- Size and capacity of plant are suitable for serial production in large quantities, hence the company's ability to cater for the leisure business, as well as for retail chains and wholesalers operating in several European countries.
- Niche market: high-end products at premium prices.
- Major markets: UK, France, Greece, USA, Ireland and Bulgaria.



# Strategy and Objectives

- Decentralization – IHB participate mainly in strategic management and decision-making or by providing expertise at all levels
- Portfolio management decisions undertaken after extensive periodic evaluations of the sector, the company's competitive position and growth potential, as well as IHB's capability to contribute and add value to the business
- Focus on people: initial training and ongoing skill improvement programmes; retaining valued employees
- Strategic interest lies with the export oriented, internationally strategic businesses: shipbuilding, port activities – 100% export, machine building – 98%, and river cruises – 100%



# Competitive Advantages

- Experienced and committed management with many years in the company
- Qualified, skilled and motivated personnel
- Facilitated access to various sources of financing due to IHB asset base and public statute
- 'Cash cows' subsidiaries provide the necessary capital for carrying out strategic initiatives in businesses identified as 'stars' or 'question marks'
- Experience curve effects manifesting in greater efficiency both in terms of time and resources
- Economies of scale: positive effects include supplies procurement optimization (in terms of timing, price and terms of payment) and enhanced marketing campaigns (where several companies operate in one sector)
- Excellent price/quality ratio supports export expansion
- Export oriented companies diversify revenue streams
- Some of the businesses are vertically integrated, which minimizes risks associated with suppliers





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Thank you!

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