



**IPO PROSPECTUS**  
**SUMMARY OF THE PROSPECTUS**  
**OF**  
**INDUSTRIAL HOLDING BULGARIA PLC**

**TYPE OF THE OFFERED SECURITIES:** DEMATERIALISED, ORDINARY, REGISTERED,  
FREELY TRANSFERABLE SHARES

**NUMBER OF THE OFFERED SECURITIES:** 17,502,693

	<b>Per share</b>	<b>Total</b>
<b>Issue price</b>	BGN 2.40	BGN 42,006,463
<b>Nominal value</b>	BGN 1	BGN 17,502,693
<b>Fee of the investment intermediary participating in the public offering</b>	BGN 0.015	BGN 263,126
<b>Total expenses on the public offering</b>	BGN 0.016	BGN 281,120
<b>Net income from the public offering</b>	BGN 2.384	BGN 41,725,343

**INVESTMENT INTERMEDIARY OF THE ISSUE**

FIRST FINANCIAL BROKERAGE HOUSE OOD  
with registered seat and address of management:  
2, Enos Street, floor 4 and 5, the Triaditsa region, Sofia

*This Summary shall be read as an introduction to the Prospectus. The Summary emphasizes on particular information, which is contained in the other parts of the Prospectus: the Registration Instrument and the Document of the Offered Securities. The Summary may not contain the whole information, which is important to you. Before taking a decision on investing in Ordinary shares of the Company, it is in your interest to read carefully the entire Prospectus, namely the Registration Instrument and the Document of the Offered Securities together with the enclosures thereto, as well as the documents to which they refer, if any. Each investor that has raised a claim regarding the contents of the Prospectus may become liable for paying the costs of translation of the Prospectus in the event of initiation of court proceedings. The persons that have drawn up the Summary shall be liable for damages, only if the information contained therein is misleading, untrue or contradictory to the other part of the Prospectus.*

*Investing in the offered ordinary shares involves certain risks. Please refer to Risk Factors on pages 9-17 of the Registration Instrument (Part II of the Prospectus) and to Risk Factors on page 7 and the following of the Document of the Offered Securities (Part III of the Prospectus).*

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**The Financial Supervision Commission has confirmed the Summary of the Prospectus by means of Decision No1259-E of 3.10.2007, which does not constitute a recommendation for investing in the offered shares. The Financial Supervision Commission does not bear any responsibility about the truthfulness and completeness of data contained in the Document.**

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*The members of the Management Board of Industrial Holding Bulgaria PLC shall be jointly liable for damages caused due to untrue, misleading or incomplete data in the Resume, respectively the Prospectus in the mass. The prepares of the annual financial statements of the Company shall be jointly liable, together with the persons under the foregoing sentence, for damages caused due to untrue, misleading or incomplete data in the financial statements of the Company, while the registered auditor - for damages caused by the financial statements audited thereby.*



*You should rely only on information contained in the Prospectus, i.e. in this Summary, in the Registration Instrument and in the Document of the Offered Securities. IHB has not authorised any person to provide you with other information. Besides, you should keep in mind that the information in the Prospectus is current as at the date of the titlepage of each one of the documents being integral parts of the Prospectus.*

Investors interested in the offered securities may become familiar with the original of this document, with the Prospectus as a whole, may receive a free copy thereof and obtain further information thereon at the offices of:

THE ISSUER:



**INDUSTRIAL HOLDING BULGARIA**

**Industrial Holding Bulgaria PLC**

Address: 1000 Sofia,  
47, Vasil Levski Blvd.

Telephone: +359 2 980 71 01

Fax: +359 2 980 70 72

E-mail: [ir@bulgariaholding.bg](mailto:ir@bulgariaholding.bg)

Contact person:

Bogomila Ivanova Hristova  
Investor Relations Director  
10.00 h – 16.00 h

THE AUTHORISED INVESTMENT  
INTERMEDIARY:



**First Financial Brokerage House OOD**

Address: 1408 Sofia,  
2, Enos Str., floor 4&5

Telephone: +359 2 810 64 00

Fax: +359 2 810 64 01

E-mail: [office@ffbh.bg](mailto:office@ffbh.bg)

Contact person:

Elena Nencheva Dimitrova  
Svetozar Abrashev  
8.45 h – 17.45 h

This document may be found on the Internet site of IHB, [www.bulgariaholding.com](http://www.bulgariaholding.com), and on the Internet site of First Financial Brokerage House OOD, [www.ffbh.bg](http://www.ffbh.bg).



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## 1. MEMBERS OF THE MANAGEMENT BOARD AND OF THE SUPERVISORY BOARD, PROCURATORS, ADVISORS AND AUDITORS

IHB has a two-tier management system – a Management Board and a Supervisory Board.

The members of the Supervisory Board are the following 3 (three) persons:

- DZH AD, recorded in the commercial register with the Sofia City Court under company file № 7659/1999, represented by Elena Petrova Kirtcheva, Chairperson of the Supervisory Board
- Konstantin Kuzmanov Zografov, Deputy Chairperson of the Supervisory Board
- Snejana Ilieva Hristova, member of the Supervisory Board

The Company is managed by the Management Board comprising of 5 (five) individuals:

- Bojidar Vasilev Danev, Chairperson of the Management Board
- Anguel Stoyanov Katzarov, Executive Director
- Daneta Anguelova Zheleva, Executive Director
- Boyko Nikolov Noev, member of the Management Board
- Borislav Emilov Gavrilov, member of the Management Board

IHB is represented by the Executive Directors, Daneta Anguelova Zheleva and Anguel Stoyanov Katzarov, *jointly and severally*.

As at the date of drawing up of this document, the Management Board of the Company has not appointed a procurator or another commercial agent.

### **Information about the main banks, investment intermediaries and legal advisors wherewith the Issuer maintains permanent relations**

- ***Banks wherewith the Company has had permanent relations for the last three years:***

*Commercial Bank Allianz Bulgaria AD*

Registered seat: the city of Sofia

Address of management: 79, Maria Luiza Blvd.

*Raiffeisenbank (Bulgaria) EAD*

Registered seat: the city of Sofia

Address of management: 18-20, N.V. Gogol Str.

*DSK Bank EAD*

Registered seat: the city of Sofia

Address of management: 19, Moskovska Str.

- ***Main investment intermediaries wherewith IHB has had permanent relations for the last 3 years:***

*Commercial Bank Allianz Bulgaria AD*

Registered seat: the city of Sofia

Address of management: 79, Maria Luiza Blvd.

*Investment Intermediary Aval In AD*

Registered seat: the city of Sofia

Address of management: 1A, Slaveikov Sq.



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***Investment intermediary authorised to administer the capital increase:***

*First Financial Brokerage House OOD*

Registered seat: the city of Sofia

Address of management: 2, Enos Str., floor 4 and 5

***Investment intermediary authorised to issue certificates of the rights held by shareholders that have obtained rights by personal accounts:***

*Commercial Bank Allianz Bulgaria AD*

Registered seat: the city of Sofia

Address of management: 79, Pr. Maria Luiza Blvd.

▪ ***Main legal advisors wherewith IHB has had permanent relations for the last 3 years:***

*Antoaneta Dimolarova, Rozalina Gradinarova and Partners Law Firm*

Registered seat: the city of Sofia

Address of management: 16, Uzundzhovska Str.

*Eurolex OOD*

Registered seat: the city of Sofia

Address of management: 16, 11<sup>th</sup> August Str.

***Legal advisors of the Company on this issue:***

*Dimitrov, Chompalov and Todorova OOD*

Registered seat: the city of Sofia

Address of management: 22-24, Major Parvan Toshev Str., floor 1

**Information about the auditors of the Issuer for the last three years**

The annual financial statements of IHB for 2004, 2005 and 2006 have been audited by:

*KPMG Bulgaria*

Registered seat: the city of Sofia

Address of management: 37, Fridtjof Nansen Str.

**Persons responsible for the information used in drawing up the Summary of the Prospectus:**

The persons responsible for the information used in drawing up the Summary of the Prospectus are: Bogomila Ivanova Hristova, Investor Relations Director; Nelly Georgieva Kercheva, Head of the Financial Analyses and Investment Projects Department; Toshka Zlateva Vasileva, Chief Accountant, and Elena Nencheva Dimitrova, Financial Analyser at First Financial Brokerage House OOD.

With their signatures affixed on the last page of this document, the aforementioned persons declare that:

(1) at drawing up the Summary of the Prospectus, they have exercised the due care for compliance thereof with the requirements of law;

(2) to the best of their knowledge, the information contained in the Summary of the Prospectus corresponds to the actual facts and circumstances, is not misleading and is free of omissions, which are likely to affect its importance, and presents accurately the significant aspects of the economic, financial and legal position of Industrial Holding Bulgaria and the companies of the business group in general, as well as the share rights.



## 2. SELECTED FINANCIAL INFORMATION. CAPITALISATION AND LEVERAGE

Main indicators of IHB AD for the last three years, as well as for the first six months of 2006 and 2007:

*The information is presented on a consolidated basis*

Indicator	2004	2005	2006	June 2006 *	June 2007*
Operating revenue, BGN thousand	48,117	70,097	132,404	53,991	51,989
Total sales revenue, BGN thousand	49,531	92,130	135,088	54,840	52,985
Profit/loss from operating activities, BGN thousand	6,368	27,296	8,186	6,911	7,188
Net profit/loss from operating activities, BGN thousand <sup>(1)</sup>	7,662	29,898	9,647	4,806	6,015
Total assets, BGN thousand	77,991	155,766	174,918	168,595	205,333
Net assets, BGN thousand <sup>(1)</sup>	47,317	82,059	92,655	87,538	98,607
Share capital, BGN thousand	21,003	21,003	21,003	21,003	21,003
Number of shares	21,003,235	21,003,235	21,003,235	21,003,235	21,003,235
Dividend per share (BGN)	0	0	0		
Weighted average number of shares	21,003,235	21,003,235	21,003,235	21,003,235	21,003,235
Net earnings per share (BGN)	0.36	1.42	0.46	0.46 <sup>(3)</sup>	0.58 <sup>(3)</sup>
Weighted average number of diluted shares	23,621,445	26,254,040	26,254,040	26,254,040	26,254,040
Diluted earnings per share (BGN) <sup>(2)</sup>	0.33	1.15	0.38	0.38 <sup>(3)</sup>	0.47 <sup>(3)</sup>

\* *The data are preliminary and unaudited.*

*(1) Data of net profit and net assets do not include minority interest.*

*(2) On 2 July 2004, IHB issued 5,250,805 convertible bonds of characteristics as disclosed on page 112 of the Registration Instrument. For the purpose of determining the diluted earnings per share during the years, the weighted average number of ordinary shares in circulation were adjusted by the presumable outcome of the conversion under the assumption that the General Meeting of the Holding would take a resolution on converting all convertible bonds in ordinary shares and that all bond holders would exchange their bonds for shares. In such case, the calculation of diluted earnings per share is based on the net profit attributable to ordinary shareholders increased by the effect after taxes of interest on the convertible bonds and a weighted average number of ordinary shares in circulation during the period, which is increased by the weighted average number of the additional ordinary shares, which would be in circulation upon conversion of all diluted ordinary shares. As at the date of drawing up of the Registration Instrument, the Sofia City Court recorded the IHB's capital increase as a result of conversion of the corporate bonds from BGN 21,003,235 up to BGN 26,254,040.*

*(3) Profit was recalculated as at 30 June 2006 and 30 June 2007 on an annual basis (divided by 181 days and multiplied by 365 days).*



The tables below present the capitalisation and the leverage of the Company as at 31 December 2004, 2005 and 2006, as well as at 30 June 2007.

Capital structure, (in thousands of BGN)	2004	2005	2006	30 June 2007
Current assets	23,454	87,838	101,262	128,533
Current liabilities	14,017	42,610	52,557	71,416
Net working capital	9,437	45,228	48,705	57,117
Total assets	77,991	155,766	174,918	205,333
Equity (E)	47,317	82,059	92,655	98,607
Total liabilities	24,381	52,404	61,360	86,910
Non-current liabilities (NCL)	10,364	9,794	8,803	15,494
Interest liabilities, including current ones (IL)	10,298	7,788	14,893	20,331
NCL / E	22%	12%	10%	16%
IL / E	22%	9%	16%	21%
Total liabilities / Total assets	31%	34%	35%	42%
IL / Total assets	13%	5%	9%	10%
IL / (E+IL)	18%	9%	14%	17%

Liabilities (in thousands of BGN)	2004	2005	2006	30 June 2007
1. Non-current, including:	10,364	9,794	8,803	15,494
- loans and borrowings	2,087	503	6,757	13,337
- debenture loan	5,221	5,233	0	0
- trade and other long-term payables	137	24	21	187
- provisions	1,378	2,686	889	839
- deferred tax liabilities	1,541	1,348	1,136	1,131
2. Current, including:	14,017	42,610	52,557	71,416
- loans and borrowings	2,990	2,052	2,892	6,993
- debenture loan	0	0	5,244	0
- other payables	10,854	40,322	44,315	64,381*
- provisions	173	236	106	42
Current liabilities / Total liabilities	57%	81%	86%	82%
Current interest liabilities / Total interest liabilities	29%	26%	55%	34%
Total liabilities	24,381	52,404	61,360	86,910

\* This amount includes the convertible debenture loan at the amount of BGN 5,251 thousand. The capital of IHB was increased by the same amount in July 2007.

IHB believes that the working capital of the Company and of the companies within the business group is sufficient at present.

For further information regarding loans and borrowings, financing and collateral provided, refer to Notes 16 (Property, plant and equipment), 27 (Loans and borrowings), 25 (Share capital and reserves), 28 (Trade and other long-term payables) and 36 (Contingent liabilities) to the consolidated financial statements of Industrial Holding Bulgaria for the year ended 31 December 2006, as well as to the relevant notes to the financial statements of the Issuer for the years ended 31 December 2005 and 31 December 2004.



### **3. REASONS FOR CARRYING OUT THE PUBLIC OFFERING OF THE SHARES AND PLANNED FOR USE OF THE CAPITAL RAISED**

Provided that the total shares of the offered issue are subscribed, the expected net income from the public offering (after deducting the expenses thereon) is at the amount of BGN 41,725,343.

In case the total shares of the capital increase are subscribed and the maximum expected resource is raised, the management of IHB plans to finance the activities of the subsidiaries of IHB by means of the funds of the issue, and in particular, projects in the Maritime business industry: Maritime transport and Port activities.

Full description of the projects is contained in the Registration Instrument, *Item 5.2.2. Description of the Issuer's major investments in process of realization* on page 28 and *Item 5.2.3. Information about major future investments of IHB Plc for which its management bodies have already made material commitments* on page 31.



#### 4. RISK FACTORS

The main risks, which are specific to the Company and to the industries operated in by its subsidiaries, as well as to the offered shares, are set out in the Registration Instrument and in the Document of the Offered Securities. They include the following risk factors:

- **Price risk.** The market price of shares may fluctuate and these price fluctuations may result in a security being worth much less at one time than at a previous moment.
- **Liquidity risk.** It is not certain that a liquid stock exchange market of the shares of the Company would be available. Regarding the present issue, this risk is deemed low in view of the size of the issue, as well as the high freefloat rate, which presupposes active dealing in these shares.
- **Inflation risk.** The inflation processes may lead to decrease in the actual return obtained by investors.
- **Foreign currency risk.** The foreign currency risk, which the Company's shares bear, arises from the fact that they are denominated in Bulgarian Levs. A possible devaluation of the Lev would lead to decrease in the return on investments in securities of the Company.
- **Risks related to the holding structure of the Company.** Insofar as the activities of IHB are related to management of assets of other companies, these activities may not be related to a particular industry of the national economy and are exposed to industry risks arising for the subsidiaries as specified in the Registration Instrument.
- **Risks related to the choice of a strategy by the management team of IHB AD.** The future profits and the economic value of the Issuer depend on the strategy chosen by the management team of the Issuer and its subsidiaries.
- **Risks related to the vertical integration of the companies of the IHB's portfolio.** As the portfolio comprises companies, the net sales revenue whereof is formed of finished products sold to other subsidiaries, the operating efficiency of these companies is directly dependent on the level of profitability of the related party clients, which may have an adverse effect on the profitability of the entire group.
- **Risks related to the portfolio structure of IHB.** The Company's investments in industries characterised of low profitability rate and slow turnover of input funds /machine building, shipbuilding/ lower the portfolio return rate in general.
- **Risks arising from the capital structure of IHB.** A possibility exists that revenues may decrease and/or loan interest payments, payments under contracts and other agreements may increase in the event of a change in market interest rates levels. On the other hand, foreign currency fluctuations create a risk of unfavourable change in the amount of payments under credit exposures in US dollars and other unfixed currencies.





## 5. INFORMATION ABOUT THE ISSUER

Industrial Holding Bulgaria, hereinafter briefly referred to as IHB or the Company or the Holding or the Issuer, is a joint-stock company established and operating under the laws of the Republic of Bulgaria. The Company was set up in 1996 as a privatisation fund under the Privatisation Funds Act with main object of activities – acquisition of shares of enterprises offered for privatisation pursuant to Chapter 8 of the Law on Transformation and Privatisation of State and Municipal-Owned Enterprises /the mass privatisation/, management and sale of such shares, investing in securities of other issuers.

In February 1998, the Company reorganised its activities as a holding company under the Commercial Act and was renamed to IHB.

The Company has its registered seat in the city of Sofia 1606, the Sofia municipality region of Krasno selo, address of management at 42, Damyan Gruev and office address: 47, Vasil Levski Blvd., 1000 Sofia. Telephone/fax for contact: tel. 980 71 01, 981 55 06, fax 980 70 72. E-mail: [office@bulgariaholding.com](mailto:office@bulgariaholding.com); [ir@bulgariaholding.com](mailto:ir@bulgariaholding.com). An Internet electronic site (Website): [www.bulgariaholding.com](http://www.bulgariaholding.com)

As at the date of this document, the share capital of IHB amounts to BGN 26,254,040 divided into 26,254,040 ordinary, dematerialised, registered shares of the nominal value of BGN 1 each.

IHB is a holding company and includes other companies in its portfolio. As at 30 August 2007, the portfolio of IHB was formed, directly or through related parties, of 26 companies: 9 subsidiaries, 3 associated companies, 15 subsidiaries of subsidiaries and associated companies and 1 company representing a portfolio investment. For further information, refer to Organizational structure on page 59 and the following of the Registration Instrument.



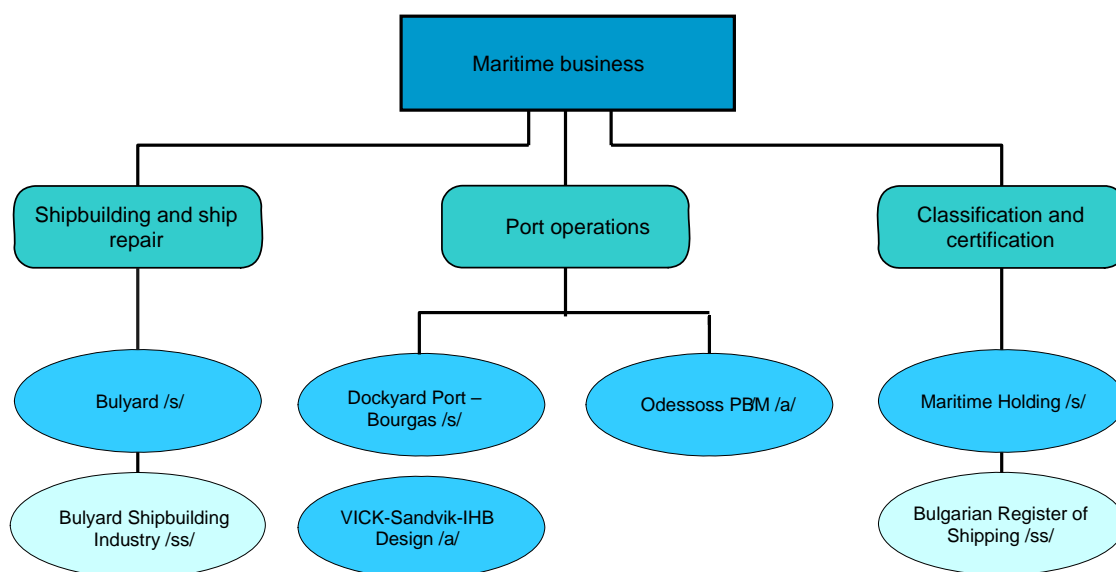
## 6. MAIN ACTIVITIES

The main line of business of IHB for the last three years has been in the following areas:

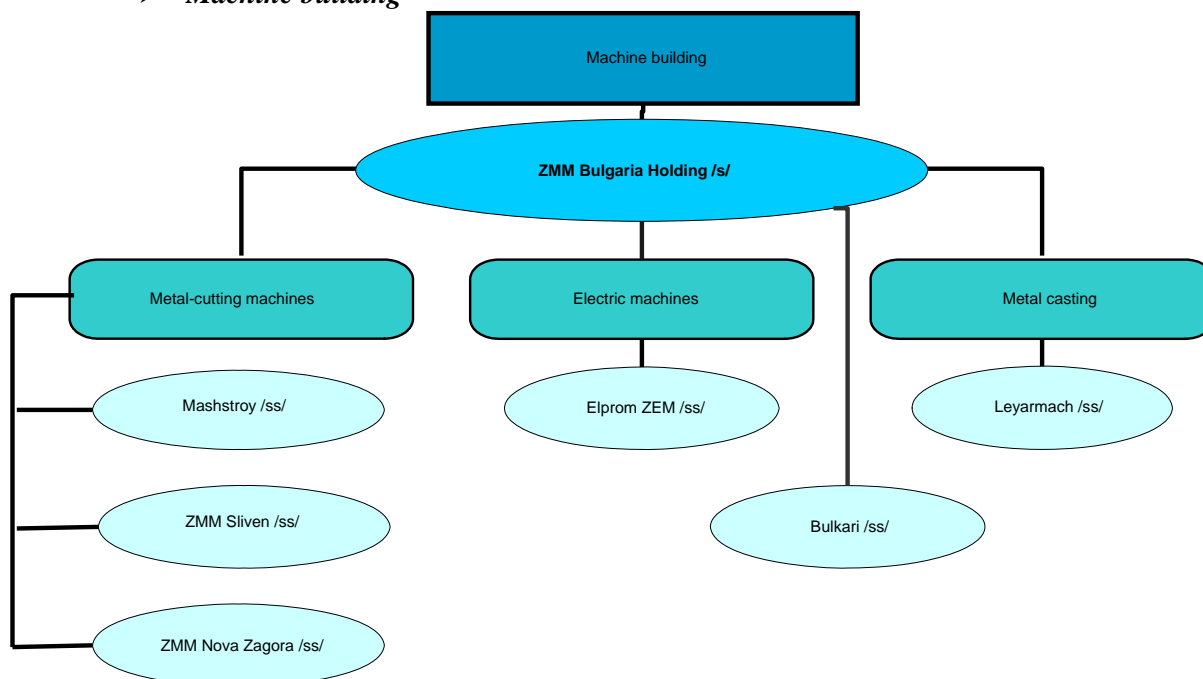
- Acquisition, evaluation and sale of interest in other companies;
- Management of companies of the portfolio of the Holding, whereon IHB may exercise control directly or through related parties;
- Establishment of new companies;
- Investing in companies of the portfolio wherein IHB maintains a long-term interest;
- Financing of companies, in which the Holding participates

The priority investments in IHB are focused in the following industries:

➤ *Maritime business*

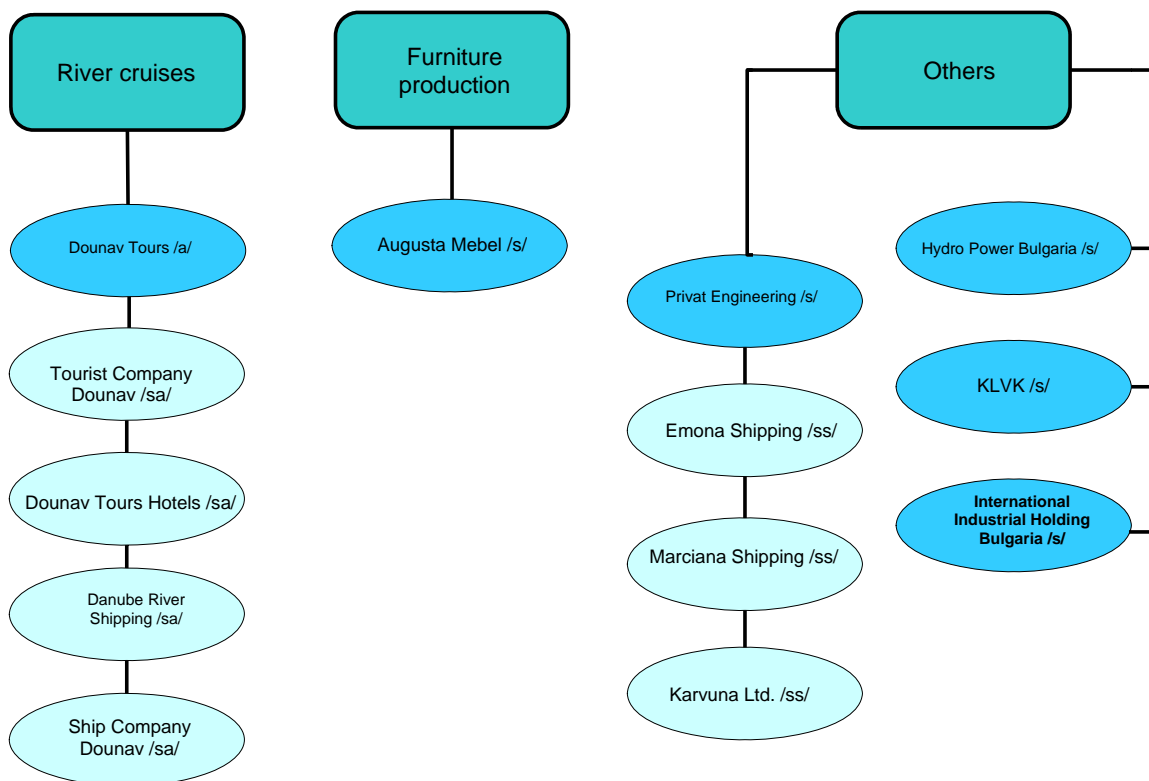


➤ *Machine building*





➤ *River cruises, furniture production and others*





## 8. INFORMATION ABOUT THE COMPETITIVENESS OF COMPANY

The analysis of the activities of IHB and of the structure of its portfolio of subsidiaries reveals the existence of a number of competitive advantages, which predetermines its capacity of maintaining the profitability level. The major factors and preconditions determining the competitiveness of the Holding are as follows:

- *the professional background of the management and personnel* – it determines the effectiveness of management action in taking advantage of favourable opportunities of the environment and undertaking timely and efficient measures for preventing or limiting the effect of threats generated by that same environment. A long-term approach in personnel management has been adopted, related to preliminary and follow-up personnel qualification and employee motivation;
- *the effect of experience* – it is revealed by decrease of time and resources spending as a result of experience gained at the firm in respect of the economic situation, legal framework, relations and contacts with state institutions and departments, etc.;
- *transparency of the IHB's activities for investors* – information on the activities is provided duly, in the most exhaustive form, in compliance with the requirements of law and the best international practices, timely, to the stock exchange, the regulatory bodies and on the Internet site of the Company;
- *access to various sources of financing* – the legal form of organisation of IHB, the public nature thereof and the fact that the Company is listed on the stock exchange, as well as the existence of a great number of assets on a consolidated basis, provide the Company with the possibility of using both internal sources of financing and a wide range of such external sources /issue of securities – shares and bonds, ordinary credits, leasing, etc./;
- *diversification of the portfolio in various industries of the economy* – predetermines maximisation of the portfolio profitability level, while at the same time reducing the risk related thereto;
- *existence of subsidiaries oriented to export* – contributes to increasing the competitiveness of the Holding through limiting the interdependence of its profitability level from the level of the population's income and other macroeconomic factors and the level of investment activity of Bulgarian firms;
- *vertical integration* – reduces the risk of suppliers having an adverse effect on the activities of some of the Holding's subsidiaries, the finished products whereof are components of the products of other companies in the portfolio;
- *the effect of scale* – it is revealed, on the one hand, in large-scaling supplies, reducing prices of raw and basic materials, deferring payments, and on the other hand, in intensifying marketing efforts and improving their efficiency as a result of the existence of strategic units in the portfolio of the Holding, operating in one and the same industry of the economy and producing identical or similar products;
- *existence of subsidiaries of the type "milch cow"* – results in the possibility of generating funds to invest in subsidiaries that operate in industries of a falling growth rate of demand but at the same time, having a big market share, and of directing the funds raised into subsidiaries of the type "star" or "question mark", i.e. such operating in industries of a high growth rate of demand and profitability and respectively, having a big or small market share, which predetermines the strategic efficiency of the Holding's operations in the long run.

**9. OPERATING RESULTS****➤ Of IHB**

Because of the specifics of its activities, the revenue of IHB is formed of:

- interest income;
- gains on investment dealings /sale of shares and financial transactions /;
- dividend income;
- other revenue – from sale of services and others.

The following table presents the individual revenue items share of the total revenue of IHB, correspondingly, the level of impact of the aforementioned factors on revenue on a non-consolidated basis:

Indicator	2006			2005			2004		
	Amount BGN thousand	Share %	Growth %*	Amount BGN thousand	Share %	Growth %*	Amount BGN thousand	Share %	Growth %*
Interest income	220	7.5	(24)	289	3	(27)	396	19	(17)
Gains on sale of shares	187	6.4	(97)	6,997	87	3,452	197	10	(17)
Dividend income	1 218	41	41	862	11	26	684	33	533
Unrealised profit / losses on revaluation of assets held for trade and others	281	10	236	(206)	(2)	(378)	74	4	306
Services sales revenue	1,036	35	817	113	1	(83)	673	33	318
Other revenue	4	0.1	100				17	1	31
<b>Total revenue</b>	<b>2 946</b>	<b>100</b>	<b>(63)</b>	<b>8 055</b>	<b>100</b>	<b>295</b>	<b>2 041</b>	<b>100</b>	<b>112</b>

\*The growth/reduction is calculated in relation to the previous year

**➤ Of the companies of the IHB Group**

The total consolidated sales revenue for the last three financial years is presented in the following table. The information is from the audited consolidated financial statements of IHB, where the operating revenue of the Holding Company itself /transactions in shares, dividends and interest on loans extended to subsidiaries/ are reported as finance income.

**Consolidated sales revenue, structure and dynamics:**

Sales revenue /in BGN thousand/	2006	2005	2004
Revenue from sale of production	110,611	44,988	35,566
Revenue from sale of services	18,759	23,297	11,929
Revenue from sale of goods and materials	3,034	1,812	622
Gains on disposal of non-current assets	1,541	20,469	125
Other revenue	1,143	1,564	1,289
<b>Total sales revenue</b>	<b>135,088</b>	<b>92,130</b>	<b>49,531</b>



Sales revenue	2006		2005		2004	
	Share, %	Growth*, %	Share, %	Growth*, %	Share, %	Growth*, %
Revenue from sale of production	81.88	145.87	48.83	26.49	71.81	15.84
Revenue from sale of services	13.89	(19.48)	25.29	95.30	24.08	(9.23)
Revenue from sale of goods and materials	2.24	67.44	1.96	191.32	1.26	2.81
Gains on disposal of non-current assets	1.14	(92.47)	22.22	16 275.20	0.25	(66.58)
Other revenue	0.85	(26.92)	1.70	21.33	2.60	(31.29)
<b>Total sales revenue</b>	<b>100.00</b>	<b>46.63</b>	<b>100.00</b>	<b>86.00</b>	<b>100.00</b>	<b>6.06</b>

\* The growth/reduction is calculated in relation to the previous year

#### Consolidated sales revenue by segments:

Sales revenue by segments /in BGN thousand/	2006	2005	2004
Revenue from shipbuilding and transport	80,070	23,199	4,779
Revenue from machine building	49,964	44,042	37,307
Revenue from other activities	5,054	24,889	6,845
Amortisation of negative goodwill, net <sup>1</sup>			600
<b>Total sales revenue</b>	<b>135,088</b>	<b>92,130</b>	<b>49,531</b>

Source: The consolidated financial statements of IHB with the independent auditor's report

<sup>1</sup> The Group has been applying effectively since 1 January 2005 the requirements of IFRS 3 Business Combinations at reporting on acquisitions and on investments in associated enterprises for the purposes of preparation of the consolidated financial statements. Therefore, amortisation of the positive goodwill has been discontinued and it is tested for impairment in the end of the reporting period.

Sales revenue by segments	2006		2005		2004	
	Share, %	Growth*, %	Share, %	Growth*, %	Share, %	Growth*, %
Revenue from shipbuilding and transport	59	245	25	385	10	(5)
Revenue from machine building	37	13	48	18	76	17
Revenue from other activities	4	(80)	27	264	14	(20)
<b>Total sales revenue</b>	<b>100</b>	<b>47</b>	<b>100</b>	<b>86</b>	<b>100</b>	<b>6</b>

\*The growth/reduction is calculated in relation to the previous year

#### Year 2004

The consolidated revenue of IHB for 2004 amounted to BGN 49,531 thousand and accounted for a 6.1% growth compared to the 2003 revenue. The growth of the consolidated revenue for 2004 is explained by the Holding's portfolio structure at the end of the period, where machine building had the biggest share. Net revenue from machine building for the year amounted to BGN 37,307 thousand or 76% of the total sales revenue. That segment was in a maturity phase, which resulted into lower growth rates. The 2004 net revenue from shipbuilding and transport amounted to BGN 4,779 thousand or 10% of the total revenue.

The consolidated profit (excluding minority interest) for 2004 amounted to BGN 7,662 thousand and accounted for a growth of 119% compared to the 2003 profit. The growth results from an increase of operating revenue where the amount of expenses was maintained relatively the same.



### **Year 2005**

The consolidated revenue of IHB for 2005 amounted to BGN 92,130 thousand and accounted for an 86% growth compared to the 2004 revenue. This growth is due mostly to the consolidation of Bulyard Shipbuilding Industry AD, as well as to the sales of immovable properties performed during the year.

The consolidated net profit (excluding minority interest) for 2005 amounted to BGN 29,898 thousand, which is 4 times higher than the 2004 one. Besides the aforementioned factors, the improved operating efficiency contributed as well to the growth. As a result thereof, the operating profit (before depreciation and amortisation) margin rose from 16.2% for 2004 to 32.7% for 2005.

### **Year 2006**

The consolidated revenue of IHB for 2006 amounted to BGN 135,088 thousand and accounted for a growth of 47% compared to that in 2005.

The total revenue from shipbuilding and transport amounted to BGN 80,070 thousand, which constituted already a share of 59% of the total revenue. The majority of the other companies of the Group also accounted for a growth of their 2006 revenue. An exception were Bulgarian Register of Shipping AD and Leyarmach AD, which had a significant decrease, as well as Privat Engineering AD and KLVK AD, which reported a significant decrease in revenue due to sales of non-current assets carried out in 2005.

The increased share of shipbuilding resulted in a significant decrease of the operating profit (before depreciation and amortisation) margin from 32.7% for 2005 down to 8.9% for 2006, due to increased expenses on materials and personnel.

The consolidated net profit (excluding minority interest) for 2006 amounted to BGN 9,647 thousand vs. BGN 29,898 thousand or it decreased by 68%.

### **The first six months of 2007**

The consolidated revenue of IHB for the first six months of 2007 amounted to BGN 52,985 and accounted for a decline by 3.4% compared to the revenue for the same period of 2006. This decline is due mainly to the shipbuilding activities, which accounted for the biggest share of the total revenue of the Holding.

Although the shipbuilding contracts are more in number in 2007, the revenue from shipbuilding for the period ended 30 June 2007 was at a smaller amount than that for the same period of the previous year. One of the basic reasons thereof is the method of recognising revenue in case of shipbuilding contracts. Revenue from shipbuilding is recognised by applying the method of stage of completion of work under a particular contract (refer to the Registration Instrument, *Item 9.1.3 Key accounting policy elements* on page 88). In the particular case, as at 30 June 2006, revenue on stages of construction of 2 ships was reported on, while as at 30 June 2007, one stage of construction of 1 ship and revenue from construction of separate sections of ships were accounted for.

The consolidated net profit (excluding minority interest) for the first six months of 2007 amounted to BGN 6,015 thousand vs. BGN 4,806 thousand or it increased by 25%.

An overview of the financial position of Industrial Holding Bulgaria is set out on pages 87-98 of the Registration Instrument – Overview of operations and financial position, Financial position.



## **10. CAPITAL RESOURCES**

The capital resources available to the Issuer are: on the one hand, self-generated cash flows from operating activities of the companies of the Holding and capital increases thereof, and on the other hand, loanable funds in the form of bank credits, lease and grant schemes, borrowings from associated companies and issue of bonds.

By 2004, the Holding did not experience a need of using bank credits but financed its activities entirely by means of own funds. Subsequently, to implement its investment programme, the Issuer began using a combination of own capital and externally attracted resources in the form of bank financing and one issue of corporate convertible bonds at the amount of BGN 5,250,805. On 1 June 2007, the General Meeting of Shareholders passed a resolution on increasing the capital of IHB through conversion of all bonds into ordinary shares.

As at 30 June 2007 non-current liabilities represented 16% of the equity of the Group, while the liabilities accounted for 42% of the total assets (these are consolidated-basis data).

For further information, refer to Capital resources on page 112-124 of the Registration Instrument.





## 11. MAJOR TRENDS

In the next years as well, **the major trends in the activities of the Holding** are expected to be related to:

- Acquisition, evaluation and sale of interest in other companies;
- Management of companies of the portfolio of the Holding, whereon IHB may exercise control directly or through related parties;
- Establishment of new companies;
- Investing in companies of the portfolio wherein IHB maintains a long-term interest;
- Financing of companies, in which the Holding participates.

**The major strategic interests of IHB** are in the following industries and activities:

- Maritime business, including the industries and activities of shipbuilding and ship repairing, port activities, classification and certification, maritime transport;
- Machine building;
- River cruises.

**12. MEMBERS OF THE MANAGEMENT BOARD AND OF THE SUPERVISORY BOARD. EMPLOYEES**

	Appointed Board member as of	Date of expiration of the contract
<i>Members of the Supervisory Board</i>		
DZH AD, through representative Elena Kirtcheva	8 July 2003 19 July 2006	July 2008
Snejana Hristova	8 July 2003	July 2008
Konstantin Zografov	15 September 1999, *	August 2012
<i>Members of the Management Board</i>		
Bojidar Danev	7 November 1996 *	August 2012
Daneta Zheleva	8 July 2003 *	August 2012
Anguel Katzarov	5 July 2002 *	August 2012
Borislav Gavrilov	8 July 2003 *	August 2012
Boyko Noev	4 July 2003 *	August 2012

Pursuant to the Statute of IHB, the mandate of the Management Board and the Supervisory Board is 5 years. The members of the Management Board and of the Supervisory Board may be discharged from office also before expiration of the mandate whereof they have been appointed.

\* Konstantin Zografov was reappointed for one mandate more by virtue of a resolution of the General Meeting of Shareholders on 29 August 2007. All members of the Management Board were re-elected for another mandate pursuant to a resolution of the Supervisory Board dated 29 August 2007. These circumstances are subject to recording with the Sofia City Court.

**INFORMATION ABOUT EMPLOYEES****➤ Of IHB**

Persons hired at IHB according to the National Classification of Professions	Higher educated persons /number/			High school educated persons /number/			
	As at:	2004	2005	2006	2004	2005	2006
Management personnel		3	3	3	0	0	0
Chief experts		0	0	0	0	0	0
Experts		2	1	1	0	0	0
Specialists		2	2	2	1	1	1
Technical personnel		0	0	0	2	2	2
<b>Total</b>		<b>7</b>	<b>6</b>	<b>6</b>	<b>3</b>	<b>3</b>	<b>3</b>

**➤ Of the companies of the IHB Group**

Average number of personnel of:	2004	2005	2006
The subsidiaries	1,817	2,647	2,917
The associated companies	1,312	391	202
<b>Total</b>	<b>3,129</b>	<b>3,038</b>	<b>3,119</b>



### 13. MAJOR SHAREHOLDERS

The following shareholders owned more than 5 percent of the voting shares as at **31 August 2007**:

**Venside Enterprises Limited**, with registered seat: the town of Limassol, the Republic of Cyprus and address of management: 2, Riga Feraiou Str., Limassol Centre, Block B, floor 6, office 607; registration number: N.E. 105822 of 22 October 1999, holding directly 8,233,498 shares representing 31.36% of the votes in the General Meeting.

**Bulls AD**, with registered seat: the town of Kostinbrod and address of management: 7, P. Evtimiy Str., holding directly 3,176,000 shares representing 12.10 % of the votes in the General Meeting.

**DZH AD**, with registered seat: the city of Sofia and address of management: 17B, Vtora Str., Simeonovo Qtr., holding directly 1,584,393 shares representing 6.03 % of the votes in the General Meeting.

**Daneta Anguelova Zheleva**, holding directly 15,832 shares representing 0.06% of the votes in the General Meeting and via related parties, the total of 1,600,350 shares representing 6.10% of the votes in the General Meeting.

**Dimitar Georgiev Zhelev**, holding directly 125 shares representing 0.0005% of the votes in the General Meeting and via related parties, the total of 1,600,350 shares representing 6.10% of the votes in the General Meeting.



## 14. FINANCIAL INFORMATION

### **Annual financial statements. Independent auditor's reports. Interim financial statements**

The annual financial statements for the last 3 years, 2006, 2005 and 2004, including the consolidated and non-consolidated financial statements audited by a registered auditor, the reports by management under Art. 33, para 1 of the Accountancy Act, the auditor's reports for each one of the periods whereof audited financial statements are required, as well as the interim financial statements (consolidated and non-consolidated) for the aforementioned years, which are unaudited, have been submitted to the Financial Supervision Commission and Bulgarian Stock Exchange – Sofia AD within the set terms.

All of the aforementioned documents are available to investors on the electronic sites of the two institutions ([www.fsc.bg](http://www.fsc.bg) and [www.bse-sofia.bg](http://www.bse-sofia.bg)), as well as on the electronic site of IHB ([www.bulgariaholding.com](http://www.bulgariaholding.com)), in the Investors section, Reports subsection.

All these documents will be provided by IHB, upon request, to any potential investor. The documents may also be examined at the information centre of FSC at 33, Shar Planina Str., Sofia, as well as at the building of Bulgarian Stock Exchange – Sofia AD at 10, Tri ushi Str.



## 15. INFORMATION ABOUT THE INITIAL PUBLIC OFFERING

### Expected time schedule of the offering

Prospectus publishing date .....	on or around 19 October 2007
Date of publishing the notice of the offering in the State Gazette and in a central daily newspaper, the Dnevnik daily	on or around 19 October 2007
Beginning of trade in rights on BSE and of the subscription of new shares	on or around 29 October 2007
Closing date of trade in rights on BSE	on or around 8 November 2007
Closing date of the subscription of new shares by holders of rights, including by persons that have purchased rights on BSE	on or around 12 November 2007
Ex-officio auction on BSE for sale of unexercised rights	on or around 19 November 2007
Beginning of the subscription of new shares by persons that have purchased rights at the ex-officio auction	on or around 21 November 2007
Closing date of the subscription of new shares by persons that have purchased rights at the ex-officio auction	on or around 3 December 2007
Closing date for payment for new shares by any persons that have subscribed new shares	on or around 3 December 2007
Registration of the new shares issue and of the capital increase in the commercial register	on or around 12 December 2007 <sup>(1)</sup>
Registration of the new shares in investor accounts with the Central Depository	on or around 17 December 2007 <sup>(1)</sup>
Beginning of trade in new shares on BSE	on or around 14 January 2008 <sup>(1)</sup>

(1) These dates are determined on the basis of the assumption that: (a) the time limits as per the time schedule will be met without any delay; and (b) the procedures to be carried out at the relevant institutions will be accomplished within the shortest deadlines according to their practices. The exact dates may fall more or less days after the specified date.

### *Securities offered*

The object of the public offering is 17,502,693 (seventeen million five hundred and two thousand six hundred and ninety-three) ordinary shares of the new issue of the Company's capital increase pursuant to a resolution of the General Meeting of IHB held on 29 August 2007 to increase the capital from BGN 26,254,040 up to BGN 43,756,733. All of the 17,502,693 shares are offered to investors for subscription. The capital of the Company will be increased, only if at least 15,000,000 shares are subscribed and paid for. In such case, the capital of the Company will be increased only by the amount of the subscribed shares. A variation above the upper limit of the stated capital to be raised is not possible. It is not envisaged an option for decreasing or increasing the number of shares offered. The offered shares are of the nominal value of BGN 1 (one) per share and of the issue price of BGN 2.40 (two Levs point forty stotinki) per share.

The investment intermediary appointed to administer the capital increase is **First Financial Brokerage House OOD** with registered seat and address of management at 2, Enos Str., floor 4 and 5, the Triaditsa area, Sofia – a licensed investment intermediary in the meaning of Art. 54, para 1 of LPOS and meeting the requirements under Art. 112b, para 1 of LPOS, authorised by the General Meeting of IHB to administer the initial capital increase.



The investment intermediary, First Financial Brokerage House OOD, has undertaken to make the best efforts for placement of this issue of shares but has not undertaken to purchase rights or subscribe a portion of the total number of shares offered, which have not been subscribed by investors.

The investment intermediary appointed to issue certificates of rights to shareholders that have received rights by personal accounts, is the investment intermediary **Commercial Bank Allianz Bulgaria AD**. Pursuant to an agreement with ИНБ, the investment intermediary Commercial Bank Allianz Bulgaria AD has undertaken, by observing the procedure provided for in the Regulations of the Central Depository, to issue certificates of rights to shareholders that have received rights by personal accounts. Such certificates shall substitute the depository receipts and by means of them, the relevant persons may order their rights to be transferred into clients' accounts with the investment intermediary Commercial Bank Allianz Bulgaria AD, or with another investment intermediary, and thereby the persons may participate in the capital increase.

### ***Conditions of the subscription***

#### **Issue of rights in the meaning of §1, s.3 of LPOS**

Pursuant to Art. 112, para 2 of LPOS, rights shall be issued in the event of an increase of the capital of a public company through issuing of new shares. In the meaning of §1, s. 3 of LPOS, "rights" are securities entitling the holder to subscribe for a specified number of shares in connection with a passed resolution on an increase of the capital of a public company. One right is issued against each existing share.

#### **Conditions and time limit of the initial public offering of the shares**

Pursuant to Art. 112b, para 2 of LPOS, the right to participate in the capital increase is limited to persons that have acquired shares not later than 14 days after the date of the resolution of the General Meeting on increasing the capital or, counted as from 29 August 2007, these are the persons that have purchased shares on BSE-Sofia at the latest by 10 September 2007 and that have been recorded in the registers with the Central Depository as at 12 September 2007. On the next business day, 13 September 2007, Central Depository AD has opened accounts of rights of these persons on the basis of the book of shareholders. One right has been issued against each share existing as at the end of the specified term. One right entitles to subscription of 2/3 new shares. Following issuance of the rights, any person may acquire rights during the period available for transfer/trading thereof and upon carrying out of the open-bidding auction; any three rights exercised entitle to subscription of 2 (two) new shares at the issue price of BGN 2.40 each. Any person may subscribe as many shares as the number of rights acquired and/or held thereby, multiplied by 2/3. Rights may be transferred by the closing date for transfer as specified herein below.

The investment intermediary appointed to administer the capital increase is First Financial Brokerage House OOD with registered seat and address of management at 2, Enos Str., floor 4 and 5, Sofia.

The investment intermediary appointed to issue certificates of rights owned by shareholders that have received rights by personal accounts, is Commercial Bank Allianz Bulgaria AD with registered seat and address of management: 79, Pr. Maria Luiza, Sofia.

#### **Time limit for transfer of the rights. First stage of the subscription of new shares.**

#### **Beginning date for sale (trade) of the rights and subscription of new shares**

This is the first business day following expiration of 7 (seven) days of the date of promulgation of the notice of the public offering according to Art. 92a of LPOS in the State Gazette and of publication thereof in one central daily newspaper, the Dnevnik daily (where the promulgation and publishing take place on different days, the first business day following expiration of 7 days of the later of the two dates). The beginning date of the subscription and of the stock exchange trade in rights is expected to be on or around 29 October 2007.



### **Closing date for sale of the rights**

Pursuant to Art. 112b, para 4 of LPOS, the closing date for transfer of the rights shall be the first business day following expiration of 14 (fourteen) days as from the beginning date for transfer of the rights (expected date: on or around 12 November 2007). According to the Rules and Regulations of Bulgarian Stock Exchange – Sofia AD (BSE), the closing date for trade in shares on the stock exchange shall be two business days before the closing date for transfer of rights (expected closing date for trade in rights on the stock exchange: on or around 8 November 2007).

### **Place, conditions and procedure for transfer of the rights**

The transfer of rights via purchases and sales thereof (trade in rights) is carried out on the unofficial market of BSE-Sofia AD, through submission of an order to sell to the relevant investment intermediary wherewith accounts of rights of the respective clients are opened, and correspondingly, through an order to purchase to the investment intermediary that is a member of the stock exchange. The provisions of the Regulations of Central Depository AD shall govern the acquisition of rights via other methods.

Rights, notwithstanding the manner of acquisition thereof, may be offered for sale by any holder of rights that is a shareholder of the Company, provided that such shareholder has acquired shares at the latest within 14 days of the date of the resolution of the General Meeting on the capital increase, as well as by any person that has purchased rights via a purchase deal on BSE.

Shareholders unwilling to participate in the capital increase, as well as any other holders of rights, may sell their rights following the said procedure till the end of the stock exchange session on the last day of the trade in rights, correspondingly, may dispose of such rights via other methods till the closing date for transfer of rights, but not later than the time limit as provided for by the Regulations of Central Depository AD.

### **Second stage and end of the subscription**

#### **Holding of an open-bidding auction for rights unexercised within the time limit for sale (trade) of the rights**

On the 5<sup>th</sup> business day after the closing date of the time limit for transfer of the rights under s. Closing date for sale of the rights (expected date: on or around 19 November 2007), Industrial Holding Bulgaria, through the investment intermediary First Financial Brokerage House OOD, shall offer for sale under the terms of an open-bidding auction, those rights against which no shares of the new issue have been subscribed till expiration of the time limit for transfer of the rights. IHB shall distribute the amount of the unexercised rights sale proceeds reduced by the expenses on the sale, pro rata, among the holders of such rights.

Persons that have acquired rights at the sale through the open-bidding auction may subscribe the relevant number of shares till the closing date of the subscription as specified below.

#### **End of the second stage of the subscription (and of the subscription in general)**

This is the first business day after 15 business days pass as from the date on which the time limit for transfer of the rights has expired (expected date: on or around 3 December 2007). Till the closing date as specified in the foregoing sentence, persons that have acquired rights at the sale through the open-bidding auction may subscribe the relevant number of new shares against such rights.

Subscription of new shares is not allowed before the specified beginning date and after the stipulated closing date.

### **Bank account for share payments**

The issue price of the subscribed shares shall be paid for in a special escrow account opened in the name of IHB with Commercial Bank Allianz Bulgaria AD with number: IBAN: BG37BUIN95615010021519, BIC: BUINBGSF. The number of this bank account will be disclosed also in the notice of the offering, which will be promulgated in the State Gazette and published in the Dnevnik daily.



**Conditions, procedure and time limit for receiving the shares subscribed (for transfer of the shares by accounts with the Central Depository of persons that have subscribed shares, and for receiving certification documents of the shares)**

Having recorded the capital increase in the commercial register, the Company shall register the issue of shares with the Central Depository. The Central Depository will open new accounts or will credit existing accounts of investors with shares subscribed and paid for thereby. The new shares will be allocated to the investor's account with the investment intermediary, through which the subscription rights have been exercised.

If they wish, investors may obtain certification documents – depository receipts – of shares received thereby. Depository receipts are issued by the Central Depository through the relevant investment intermediary upon request of the shareholder and in compliance with the Regulations of the Central Depository and with the intermediary's bylaws.

**Admission to trade on a regulated market**

Following completion of the public offering and within 7 days of recording of the capital increase in the commercial register with the Sofia City Court, IHB will submit an application to FSC for recording of the issue of shares in the register under Art. 30, para 1, s. 3 of LFSC. After the decision of FSC on recording of the issue in the register, the Company will submit an application for listing of the issue of shares for trade on the official market of shares, Segment A of BSE-Sofia AD. Trade in shares may commence on a date determined by the Board of Directors of BSE, following registration of the issue of new shares of the Issuer. The trade in new shares is expected to begin on or around 14 January 2008.

**Legislation**

Bulgarian legislation is applicable to the shares object of the public offering. For information regarding the share rights and arrangements for transfer thereof, refer to Share rights and arrangements for exercising them on page 14 and the following, and to Securities transfer arrangements on page 17 of the Document of the Offered Securities. The basic legal documents applicable to the shares are listed on page 18 of the same, while page 19 and the following present general information on some taxes that are payable in the Republic of Bulgaria by the holders of shares.

The dealings in shares issued by a public company registered in Bulgaria are provided for in detail in the Law on Public Offering of Securities of 1999 and the ordinances on its application, in the Rules and Regulations of BSE and in the Regulations of the Central Depository. As of 1 November 2007, LPOS will be amended upon entry into force of the Markets in Financial Instruments Act of 2007 introducing the provisions of Directive 2004/39/EEC on the markets in financial instruments, whereby, in particular, there will be abandoned the requirement for transactions in shares of public companies to be compulsorily performed on a regulated securities market.

Information about the Statute of the Issuer is set out on page 162 and the following of the Registration Instrument.





## 16. FURTHER INFORMATION

*Information on the place, time and arrangements for obtaining further information, including addresses, telephones, business hours and contact persons*

Investors are provided with access to further information at the offices of the Issuer and of the authorised investment intermediary as indicated in the table.

Investors interested in the offered securities may become familiar with the original of this document, with the Prospectus as a whole, may receive a free copy thereof and obtain further information thereon at the offices of:	
<p>THE ISSUER:</p>  <p><b>INDUSTRIAL HOLDING BULGARIA</b></p>	<p><b>Industrial Holding Bulgaria PLC</b> Address: 1000 Sofia, 47, Vasil Levski Blvd. Telephone: +359 2 980 71 01 Fax: +359 2 980 70 72 E-mail: <a href="mailto:ir@bulgariaholding.bg">ir@bulgariaholding.bg</a> Contact person: Bogomila Ivanova Hristova Investor Relations Director 10.00 h – 16.00 h</p>
<p>THE AUTHORISED INVESTMENT INTERMEDIARY:</p>  <p><b>FFBH</b></p>	<p><b>First Financial Brokerage House OOD</b> Address: 1408 Sofia, 2, Enos Str., floor 4&amp;5 Telephone: +359 2 810 64 00 Fax: +359 2 810 64 01 E-mail: <a href="mailto:office@ffbh.bg">office@ffbh.bg</a> Contact person: Elena Nencheva Dimitrova Svetozar Abrashev 8.45 h – 17.45 h</p>

This document may be found on the Internet site of IHB, [www.bulgariaholding.com](http://www.bulgariaholding.com), and on the Internet site of First Financial Brokerage House OOD, [www.ffbh.bg](http://www.ffbh.bg).



Persons responsible for the information in drawing up the Summary of the Prospectus:

\_\_\_\_\_  
Bogomila Hristova  
*Investor Relations Director  
of Industrial Holding Bulgaria PLC*

\_\_\_\_\_  
Nelly Kercheva  
*Head of the Financial Analyses and Investment Projects Department  
of Industrial Holding Bulgaria PLC*

\_\_\_\_\_  
Toshka Vasileva  
*Chief Accountant  
of Industrial Holding Bulgaria PLC*

\_\_\_\_\_  
Elena Dimitrova  
*Financial Analyser at  
First Financial Brokerage House OOD*

The undersigned person, in her capacity of a representative of Industrial Holding Bulgaria PLC, declares by her signature that the Summary of the Prospectus complies with the requirements of law.

\_\_\_\_\_  
Daneta Zheleva  
*Executive Director*