



IPO PROSPECTUS

DOCUMENT OF THE OFFERED SECURITIES of INDUSTRIAL HOLDING BULGARIA PLC

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

NUMBER OF THE OFFERED SECURITIES: 17,502,693

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

TIME LIMIT OF THE PUBLIC OFFERING:

- beginning date for transfer of rights and subscription of shares: the first business day after expiration of 7 (seven) days as of the date of publication of the notice under Art. 92a, para 1 of the Law on Public Offering of Securities (LPOS);
- closing date for transfer of rights: the first business day after expiration of 14 days as of the beginning date;
- closing date for subscription of shares: the first business day after expiration of 15 business days as of the closing date for transfer of rights under letter "b".

The prospectus contains the whole information about Industrial Holding Bulgaria PLC, which is necessary to make an investment decision, including the main risks related to the Company and its activity, and it is in the interest of investors to become familiar with the Document of the Offered Securities and with the Registration Instrument before taking a decision to invest.

Investing in the offered ordinary shares involves certain risks. Please refer to Risk Factors on page 7 of the Document of the Offered Securities, as well as to Risk Factors on page 9 and the following of the Registration Instrument.

The Financial Supervision Commission has confirmed the Document of the Offered Securities 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.

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 Document of the Offered Securities. 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.



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The IPO Prospectus of IHB comprises of three documents: the Summary of the Prospectus, the Registration Instrument and the Document of the Offered Securities.

<p>Investors interested in the offered securities may become familiar with the original of this document, receive a free copy thereof and obtain further information thereon at the offices of:</p>	
<p>THE ISSUER:</p>  <p>INDUSTRIAL HOLDING BULGARIA</p>	<p>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 Contact person: Bogomila Ivanova Hristova Investor Relations Director 10.00 h – 16.00 h</p>
<p>THE AUTHORISED INVESTMENT INTERMEDIARY:</p> 	<p>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 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, and on the Internet site of First Financial Brokerage House OOD, www.ffbh.bg.

ABBREVIATIONS USED

- LPOS – Law on Public Offering of Securities
- FSC – Financial Supervision Commission
- BSE – Bulgarian Stock Exchange – Sofia AD



1. INFORMATION ABOUT THE MEMBERS OF THE MANAGEMENT BOARD AND OF THE SUPERVISORY BOARD, ADVISORS AND AUDITORS OF THE ISSUER. RESPONSIBILITY FOR THE INFORMATION PRESENTED IN THE DOCUMENT.

Information about the members of the Management Board and of the Supervisory Board

Industrial Holding Bulgaria, hereinafter referred to as IHB or the Company or the Holding or the Issuer, 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 No. 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.

United Bulgarian Bank AD

Registered seat: the city of Sofia



Address of management: 5, Sveta Sofia Str.

UniCredit Bulbank AD

Registered seat: the city of Sofia

Address of management: 7, Sveta Nedelya Sq.

- **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.

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, 11th 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 presented in the Document of the Offered Securities

The persons responsible for the information used in drawing up this Document of the Offered Securities are: Bogomila Ivanova Hristova, Investor Relations Director 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 Document of the Offered Securities, 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 Document of the Offered Securities 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 IHB and the companies of the business group in general, as well as the share rights.



2. RISK FACTORS

2.1. Risk factors inherent to the shares object of the public offering

Besides the risks related to the activity of the Issuer, as described in the Registration Instrument, each investor should also be informed of the nature and specific risks, to which he is exposed as an investor in shares.

Price risk

Following the eventual successful completion of the capital increase of IHB through a public offering of the shares of the increase, their market value will be determined on the basis of demand and supply, and the price of shares may rise or fall. These price fluctuations may result in a security being worth much less at one time than at a previous moment. Such price dynamics is especially characteristic of the market of ordinary shares, the stock exchange prices whereof may be subject to sharp fluctuations in response to publicly disclosed information about the Company's financial performance, changes in legislation and other significant events.

Liquidity risk

The liquidity risk is directly related to the liquidity of the securities market itself and is expressed in the potential opportunity of purchasing or selling the relevant securities on the secondary market, within short terms and at usual volumes. 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 risk is the probability that the general price level in the economy may rise, as a result of which the purchasing power of the local currency, the Lev, will diminish. The inflation processes lead to decrease in the actual return obtained by investors. During the last years, under the conditions of the Currency Board and a restrictive fiscal policy, the inflation in the country was maintained at a relatively low level and the expectations about inflation are that it would remain at such level in the next years as well.

Foreign currency risk

The foreign currency risk, which the Company's shares bear, arises from the fact that the shares are denominated in Bulgarian Levs. A variation in the exchange rate of the Lev to another currency would alter the return, which investors expect to obtain, if compared to the return, which they would have received on an investment denominated in another currency. A possible devaluation of the Lev in such circumstances would lead to decrease in the return on investments in securities of the Company. The currency system operating in the country, under which the Bulgarian Lev is fixed to the Euro by law, eliminates to a significant extent the existence of a foreign currency risk and predetermines a movement of the Lev to the other international currencies, which is entirely dependent on the conduct of the common European currency. The stability and the deep trust in the Currency Board in the country, as well as the dominating position of the Euro on the international foreign currency markets, limit the existence of a foreign currency risk to minimum levels.



Risk of dividend non-payment

The risk of uncertainty about receiving a dividend (variation in the dividend amount) and in particular, dividend non-payment, is inherent to any ordinary shares.

Each share confers a right to dividends pro rata to the nominal value of the share. The dividend amount is a variable depending on the amount of the Company's profit. The Company's profit after taxes is subject to dividend distribution. A resolution on profit distribution shall be adopted by the General Meeting of Shareholders. The Company may not realise a profit at all for a given year and even if it has, the General Meeting may not pass a resolution on distribution thereof in the form of dividends.

The capability of IHB to generate profits is subject to specific risks related to the operations of the Issuer as set out in the Registration Instrument.

Risk of capital dilution

The Statute of the Company provides for no limitations in respect of the maximum amount of future issues of shares. Therefore, the percentage ownership of shareholders may be reduced as a result of a future capital increase, if they do not exercise their rights and do not subscribe a proportionate amount of the new shares. In the event that, due to a future capital increase, the number of shares issued by the Company grows at a higher rate than the amount of the assets thereof, this may lead to diminishing the value of assets per share of the Company.

2.2. Specific risks of the industry in which the Company operates

The specific risks related to the main activities of the Company, as well as the general risks that may have an impact on its operations, and the methods of managing them, are described in detail on page 9 and the following of the Registration Instrument, (Risk Factors).



3. BASIC INFORMATION

Capitalisation and leverage

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 IHB 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.

Conflict of interests

The fee of the investment intermediary, First Financial Brokerage House OOD, appointed to administer the capital increase, is not unusual in terms of type and conditions, and depends on the success of the public offering of shares of IHB, since the fee has been agreed to be at the amount of 1.5% of the value of shares subscribed and paid for by investors other than the major shareholders and the shareholders that have preliminarily stated their intentions to subscribe shares.

No one else of the experts or advisors referred to in this document holds a material number of shares of the Issuer, IHB, nor does such an expert or advisor have a substantial direct or indirect business interest in the Issuer, or a fee depending on the success of the public offering, for which this document has been drawn up.

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, including the following priority projects by industry:

Maritime business:

Maritime transport /future activity/

In 2006, the subsidiaries (through Privat Engineering AD), Emona Shipping Ltd. and Marciana Shipping Ltd. contracted the building of two multi-purpose 9,800-ton ships at Bulyard Shipbuilding Industry EAD. The vessels are of unlimited sailing area, with a capacity of carrying bulk cargo and containers. The value of each one of them is EUR 13.5 million. Payments shall be in Euro and US currency. A portion of the cash resource from the new issue of shares of IHB is intended to be used for paying the residue of 40%, or EUR 5,400 thousand, of the construction of the Emona ship with construction number 288 and 70%, or EUR 9,400 thousand, of the value of the Marciana ship with construction number 289. The vessels delivery term is 2008. One more priority activity for the group – maritime transport – will be started upon introducing thereof into operation.

In August 2007, Privat Engineering AD established one more subsidiary, Karvuna Ltd., Marshall Islands, which entered into an agreement for the construction of one multi-purpose 21,000-ton ship at Bulyard Shipbuilding Industry EAD. The construction number of the ship is 458. It is of unlimited sailing area and a capacity of carrying bulk cargo. The delivery term of the ship is December 2009. The intention is for EUR 4,200 thousand or 20% of its value of the vessel to be paid with a portion of the funds raised through the capital increase of IHB.



Port activities

The management of IHB and Dockyard Port-Bourgas AD intend to launch the project for extension and modernisation of the port terminal of the company. It is in accordance with the stated guidelines in the National Programme for Development of the Bulgarian Ports 2006-2012. The pre-design surveys were adopted in the beginning of 2007, while the General Plan for Development of the Port was approved in July. The Plan provides for extension of the existing quay wall by 180 meters more to the West and utilisation of a water territory of 16,468 sq. m. by using a special technology – partitioning via cleats. Thus, the total area of the port will be about 80 decares. Works on fortification of the old quay wall will be carried out as well. The ship places will become three, each one of 125 meters. The project envisages also an option for building of an additional quay. There will be a specialised terminal for grain in the farthest west of the port, while the rest of it will be for processing and warehousing of general cargo. The project is to be finalised in three years and will cost around BGN 23 million. A contest will be announced for the implementation thereof. Dockyard Port-Bourgas AD received a loan of EUR 224 thousand from the Holding as an initial financing, and regarding the new equipment, which was purchased and would be delivered in 2007, there were agreed lease schemes with Interlease EAD. Around EUR 2.5 million of the funds raised through the capital increase of IHB are planned to be invested in the project.

Purpose	Amount (EUR thousand)	Amount (EUR thousand)	Clarification
Emona Shipping Ltd.	5,400	10,561	40% of the value of the Emona ship
Marciana Shipping Ltd.	9,400	18,385	70% of the value of the Marciana ship
Karvuna Ltd.	4,200	8,214	20% of the value of the Karvuna ship
Dockyard Port-Bourgas AD	2,500	4,890	For financing of the project for extension of the port terminal
TOTAL	21,500	42,050	

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. INFORMATION ABOUT THE SHARES OBJECT OF THE PUBLIC OFFERING

Type and class of the securities

The object of the public offering is 17,502,693 ordinary, registered, dematerialised shares of the capital increase of the Company. The shares of this issue are of the same class as the already issued shares of the Company and confer identical rights to their holders – a right to vote at the General Meeting of Shareholders, a right to dividends and to a liquidation quota proportionate to the nominal value of the share.

The international identification number of the shares of IHB (ISIN code) is: BG 1100019980.

The shares shall be offered only in the Republic of Bulgaria and shall not be the object of an international offering.

Legislation governing the issue of shares. Securities register

The shares issued so far by IHB, as well as the shares of the capital increase of the Company, whereof this document has been drawn up, are issued in compliance with the Bulgarian legislation.

The Law on Public Offering of Securities stipulates that shares issued by a public company shall be registered and dematerialised.

In accordance with its Statute, IHB may issue: (a) ordinary (unprivileged) shares; and (b) privileged shares (voting or non-voting) with a guaranteed and/or additional dividend, with a redemption privilege.

Any issue and transfer of shares of the Company is effective as from the registration of the issue or respectively, transfer thereof, at the Central Depository, which is the Bulgarian national register of dematerialised securities.

The book of shareholders of IHB is kept by Central Depository AD with address: 4, Tri Ushi Str., floor 4, Sofia.

Issue of shares

Pursuant to law, the statute of a joint-stock company may provide for authorisation of the Board of Directors or correspondingly, the Management Board in case of a two-tier management system, to increase the capital through the issue of new shares for a 5-year period as from the authorisation. The Statute of IHB does not envisage such a possibility and resolutions on capital increase are adopted by the General Meeting of Shareholders with a majority of 2/3 of shares represented at the meeting.

The share capital of a Bulgarian public company may be increased through:

- an issue of new shares (subscription of new shares where rights are exercised);
- an issue of convertible bonds (transformation of bonds into shares, if the bonds have been issued as convertible ones); or
- transformation of a part of the profit into capital (payment of dividends in the form of new shares of the relevant company).



Capital increase through an issue of new shares (subscription of new shares where rights are exercised)

The public offering of shares upon capital increase of a public company through issue of rights necessitates publishing of a prospectus containing detailed information about the company and shares offered. The prospectus is subject to approval by the Financial Supervision Commission.

Issue of convertible bonds

Convertible bonds are issued by a public company by following the procedure for capital increase through issue of rights.

Any resolution of a general meeting of shareholders on launching an issue of convertible bonds is valid, only if it is approved by the general meeting of holders of already issued convertible bonds. The General Meeting of Shareholders of IHB is competent of passing a resolution on issuance of convertible bonds.

Capital increase with own funds of the company through transformation of part of the profit into capital (profit capitalisation)

Within three months of approval of the audited financial statements of a public company for the previous financial year, the General Meeting of Shareholders may adopt a resolution on capital increase thereof via capitalisation of profit and reserves up to an amount permitted by law. The newly issued shares shall be allocated among shareholders pro rata to their share of the capital before the increase. The right to receive new shares belongs to those persons that are holders of or have acquired shares on a date not later than the 14th day after the date of the shareholders' resolution on increasing the capital.

Registration of the capital increase

A capital increase carried out via any of the aforementioned methods is effective as of the date of recording thereof in the Bulgarian commercial register. New shares are issued upon registration of the capital increase with the Central Depository.

Shareholders' priority in subscribing new shares

Any shareholder is entitled to subscribe new shares of a capital increase, pro rata to the issued shares held thereby. Under Bulgarian law, a shareholder in a public company may not be deprived of this right. Persons that are registered as shareholders with the Central Depository at the latest within 14 days of the date of the General Meeting, at which a resolution on a capital increase has been adopted, obtain rights to participate in the capital increase. If the resolution on a capital increase is made by the managing body, rights to participate in the capital increase are obtained by persons that are registered as shareholders with the Central Depository at the latest within 7 days of promulgation, in the State Gazette, of the announcement for public offering of the issue of new shares and thereto related rights. In both cases, on the next business day, the Central Depository opens accounts for the rights of persons listed as shareholders as at that date in the register with the Central Depository.



Currency of the securities issue

The issue of shares of the capital increase of IHB is denominated in Bulgarian Levs. The nominal value of the shares offered is BGN 1 (one) per share and their issue price is BGN 2.40 (two Levs point forty stotinki) per share.

Share rights and arrangements for exercising them

Each ordinary share gives a right to one vote in the General Meeting of Shareholders, a right to dividends and to a liquidation quota, pro rata to the nominal value of the share.

Right to vote

The right to vote in the General Meeting of Shareholders is exercised by persons recorded as shareholders in the registers with the Central Depository 14 days before the date of the General Meeting. (A buyer of shares recorded in the register with the Central Depository on the 13th day before the General Meeting may not vote; the right to vote corresponding to these shares may be exercised by their former holder). The Central Depository provides the Company with a list of the shareholders as at that date (14 days before the General Meeting). The presence of a person on such a list is a sufficient condition for that person to participate in the general meeting and to exercise his right to vote, provided that he proves duly his identity (identity card of an individual; a certificate of good standing of a shareholder that is a legal entity and relevant proof of the identity of its representative). Holders of the right to vote participate in the General Meeting personally or by a proxy authorised pursuant to an explicit notary-certified power of attorney under Art. 116, para 1 of LPOS.

Right to dividends

The right to receive dividends belongs to persons recorded as shareholders in the registers with the Central Depository on the 14th day after the date of the General Meeting, at which the annual financial statements have been approved and a resolution on profit distribution has been adopted. The Central Depository provides the Company with a list of the shareholders as at the aforementioned date. The presence of a person on such a list is a sufficient condition for that person to receive a dividend after he presents a valid proof of his identity (see above). Pursuant to the Statute of the Company and by law, the Company shall pay dividends to shareholders within 3 months of the date of holding the General Meeting, at which a resolution on profit distribution has been adopted. Costs on dividend payments are for the Company's account. Persons entitled to receive dividends, that have not asked for such dividends within the specified term, may exercise their said rights till expiration of the general 5-year period of limitation, after which the right lapses and non-received dividends are retained by the Company.

Pursuant to the Commercial Act, dividends may be paid only provided that, according to the financial statements for the relevant year as audited by a registered auditor and approved by the General Meeting of Shareholders of the Company, the net worth of assets less dividends and interest payable is at an amount not lower than the company's capital, the Reserve Fund and other funds, which the company is obliged to maintain by law or statute. The net worth of assets is the difference between the value of rights and the liabilities of the company according to its balance sheet. Payments are made up to the sum of the profit for the relevant year, prior years retained earnings, the portion of Reserve Fund and other funds of the company exceeding the minimum as provided for by law or statute, reduced by prior years uncovered losses and allocations to the Reserve Funds and other funds, which the company is obliged to maintain by law or statute.



Right to a liquidation quota

This right is contingent. It arises and may be exercised only in the event that (and insofar as) upon liquidation of the Company and following satisfaction of the claims of all creditors, there are assets left to be distributed among shareholders and up to the amount of such assets. The right to a liquidation quota belongs only to persons recorded as shareholders in the registers with Central Depository AD as at the time of termination of the company. A company is terminated by means of a resolution of the General Meeting of Shareholders in the cases stipulated in Art. 252 of CA. Under the effective legislation, the right to a liquidation quota lapses upon expiration of the general 5-year period of limitation.

Each share confers also additional rights arising from the main ones, as follows:

- *the right of each shareholder, in the event of a capital increase, to acquire shares corresponding to his interest in the capital before the increase;*
- *the right of each shareholder to participate in the management, to appoint and be appointed a member of the managing bodies;*
- *the right to be informed, including the right to become familiar in advance with written materials regarding an announced agenda of the General Meeting of Shareholders and to obtain such materials, free of charge, upon request;*
- *the right to appeal before court against resolutions of the General Meeting, which contradict to law or statute.*

Minority shareholders rights:

Shareholders that own, jointly or severally, at least 5 percent of the capital of a public company, may:

- *raise before court any claims of the company against third parties, in the event of inaction of its managing bodies, which jeopardises the interests of the company;*
- *raise a claim, before the district court at the registered seat of the company, for compensation for damages caused to the company by action or inaction of members of the managing and supervisory bodies and of procurators of the company;*
- *demand the general meeting or the district court to appoint controllers to audit all accounting records of the company and to draw up reports on their findings;*
- *demand the district court to convene the general meeting or to authorise a representative of such shareholders for convening the general meeting to be held according to an agenda determined by them.*

Shareholders that have held for over three months, jointly or severally, at least 5% (five percent) of the capital of the Company, may:

- *add new items to the agenda of an already convened General Meeting of Shareholders, pursuant to the provisions of Art. 223a of the Commercial Act.*

The Statute of IHB does not provide for any other special rights or privileges on the shares object of the public offering. Rights conferred by the shares object of this public offering may not be limited by rights conferred by another class of securities or by the provisions of an agreement or another instrument.

Redemption terms and conditions

IHB may redeem its shares by virtue of a resolution of the General Meeting of Shareholders passed by a majority of 2/3 of the shares represented at the General Meeting. The redemption terms and



conditions (including maximum number of shares redeemable, the arrangements for redemption and the time limit thereof, which may not exceed 18 months) are defined in the resolution. The shareholders' resolution is subject to recording in the commercial register and promulgation in the State Gazette.

Redemption of shares may be carried out, only if the net worth of the assets of IHB after the redemption is equal to or higher than the sum of the share capital, the Reserve Fund and other funds, which the Company is obliged to maintain according to its Statute.

As a public company, IHB, may decrease its share capital by redeeming and cancelling its own shares. A public company may redeem more than 3% of its issued shares in a calendar year only by following the arrangements and subject to the conditions applicable to tender offerings. Regarding redemption of shares within the 3% limit, the public company is obliged to notify in advance the Financial Supervision Commission, as well as to disclose information on the shares redeemed according to the procedure for disclosure of regulated information to the public.

The total nominal value of shares redeemed may not exceed 10% of the share capital of IHB where the Company is obliged to transfer any shares exceeding the 10% limit within three years. If IHB holds more than 10% of its share capital in the end of the three-year period, it should cancel shares so that shares redeemed account for less than 10% of the share capital of the Company.

Conversion terms and conditions

Refer to page 13, Issue of convertible bonds.

Resolutions, permits and approvals, on the basis of which the securities will be issued

The offered shares of the capital increase of IHB are issued pursuant to a resolution of its General Meeting held on 29 August 2007, on increasing the capital of the Company from BGN 26,254,040 up to BGN 43,756,733 through the issue of 17,502,693 new ordinary, dematerialised shares, each at the nominal value of BGN 1 and at the issue price of BGN 2.40. The General Meeting has authorised the Management Board of the Company to take decisions regarding the details of the conditions and arrangements for the capital increase; to draw up the IPO Prospectus; to conclude the agreement with the designated investment intermediary and to carry out any other legal and real acts, as may be necessary, in connection with implementation of the resolution on increasing the capital.

At its session held on 15 September 2007, the Management Board has specified the conditions and arrangements for the public offering of shares, has adopted the Prospectus for Public Offering of Shares and has addressed the other issues according to the authorisation and in implementing the resolution of the General Meeting. The decision of the Management Board has been approved by the Supervisory Board at a meeting on 15 September 2007.

The capital is increased according to the provisions and subject to Art. 192, para. 1, the first option, Art. 194, para 1 of the Commercial Act, Art. 112 and the following of LPOS.

The Prospectus for Public Offering of Shares, which is a part of this Document of the Offered Securities, has been confirmed by the Financial Supervision Commission by virtue of Decision No. 1259-E of 3.10.2007.

Any consents, approvals, authorisations and other determinations, which are required pursuant to the Statute of IHB or governing laws of Bulgaria, have been given or obtained in respect of the offering, subscribing and sale of new shares.



Expected date of launching the issue of shares of the capital increase

The capital increase is effective as of the date of recording thereof in the Bulgarian commercial register. The new shares are issued upon registration of the capital increase with the Central Depository, where this is expected to take place on or around 17 December 2007. For further information, refer to page 26 *Expected time schedule of the offering*.

Securities transfer arrangements

The shares issued by the Company are transferable freely, subject to no restrictions or conditions, by complying with the legal provisions (see below).

A transfer of shares is effective since the recording thereof at the Central Depository. Sales and purchases of shares issued by a public company may be concluded only on a regulated market or listed on a regulated market (BSE) through an investment intermediary licensed by the Financial Supervision Commission, or through an investment intermediary domiciled in another member state that has notified the Commission, according to the procedure prescribed by law, of its intentions to carry out activities in Bulgaria through a branch or subject to the provisions for free offering of services.

The transfer of shares in the event of a donation or inheritance is effected upon registration of the transaction at the Central Depository by the investment intermediary acting as a registration agent. Shares may be pledged through registration of a special pledge at the Central Depository.

The dealings in the shares of the Company (as well as in shares of any public or investment company) are governed strictly and in detail by the provisions of the Law on Public Offering of Securities and the ordinances on its application, the Regulations of BSE and the Rules of the Central Depository. Further information regarding share transfers may be obtained from the contract persons designated in the end of this Document of the Offered Securities, as well as from any investment intermediary.

Particular legal documents relevant to the issue/subscription, which are of significant importance to investors

Matters, which are important to investors, regarding the initial public offering of the Company's shares (the subscription of shares and trade in rights on the stock exchange) are governed also by the following legal documents: the Law on Public Offering of Securities (State Gazette (SG), issue 114 of 1999, amended repeatedly); the Law against Market Abuse with Financial Instruments (SG, issue 84 of 17 October 2006); the Markets in Financial Instruments Act (in force since 1 November 2007); European Commission Regulation 809/2004/EC on implementation of the Prospectus Directive 2003/71/EC; Ordinance No. 2 of 17 September 2003 of FSC for Prospectuses upon Public Offering of Securities and on Disclosure of Information by Public Companies and Other Issuers of Securities (SG, issue 90 of 2003); Ordinance No. 1 of 15 September 2003 of FSC for the Requirements to the Activities of Investment Intermediaries (SG, issue 90 of 2003); the Corporate Income Taxation Act (SG, issue 105 of 2006); the Law on Taxes on Income of Individuals (SG, issue 95 of 2006); the Foreign Currency Act (SG, issue 83 of 1999, amended repeatedly).



Basic legal documents applicable to the shares

The basic legal documents applicable to the issue of shares are:

- the Law on Public Offering of Securities (published in the State Gazette, issue 114 of 30 December 1999, as subsequently amended and supplemented);
- the Commercial Act (published in the State Gazette, issue 48 of 18 June 1991, as subsequently amended and supplemented);
- the Law against Market Abuse with Financial Instruments (SG, issue 84 of 17 October 2006);
- the Law on the Financial Supervision Commission (published in the State Gazette, issue 8 of 28 January 2003, as subsequently amended and supplemented);
- Ordinance No. 2 of 17 September 2003 for Prospectuses upon Public Offering of Securities and on Disclosure of Information by Public Companies and Other Issuers of Securities (published in the State Gazette, issue 90 of 10 October 2003);
- Ordinance No. 13 of 22 December 2003 for Tender Offering for Purchase and Exchange of Shares (published in the State Gazette, issue 4 of 16 January 2004, as subsequently amended and supplemented);
- Ordinance No. 15 of 5 May 2004 for Maintaining and Keeping of Registers by the Financial Supervision Commission and for the Circumstances Subject to Recording (published in the State Gazette, issue 54 of 23 June 2004, effective from 1 October 2004);
- Ordinance for Disclosure of Shareholding in a Public or Investment Company (published in the State Gazette, issue 98 of 1 December 2000, as subsequently amended and supplemented).

The basic legal documents applicable in respect of the Company's shares are LPOS and the secondary legislation on its application, and the Commercial Act. The Commercial Act contains general provisions regarding joint-stock companies, while LPOS provides for special requirements regarding public companies.

The provisions of Part I of Chapter Eleventh of LPOS and of the Ordinance for Disclosure of Shareholding in a Public or Investment Company (SG, issue 98 of 2000, as amended) stipulate the requirements for disclosure of material shareholding in the Company.

The Company's transactions in own shares are governed by Art. 111, para 2 and 5 of LPOS and by the Commercial Act.

The statutory tender offerings are regulated by Art. 149, Art. 150 – 157a of LPOS, by the Ordinance for the Requirements to the Contents of the Justification of the Price of Shares of a Public Company, Including as Regards the Application of Valuation Methods in Case of a Reorganisation, a Joint Venture Agreement and Tender Offering (SG, issue 13 of 2003), as well as by Ordinance No. 13 of 22 December 2003 for Tender Offering for Purchase and Exchange of Shares (SG, issue 4 of 2004).

The conditions for cancellation of companies from the register of public companies and other issuers of securities under Art. 30, para 1, s. 3 of the Law on FSC are stipulated in Art. 119 of LPOS and in Ordinance No. 22 of 29 July 2005 for the Conditions and Procedure for Recording and Cancellation of Public Companies, Other Issuers of Securities and Issues of Securities from the Register of the Financial Supervision Commission (SG, issue 66 of 2005).



Taxation

General information

The summarised information, as set out in this part regarding certain taxes payable in the Republic of Bulgaria, is relevant to shareholders, including residents and non-residents.

Residents are any individuals having their permanent address in Bulgaria, or staying in Bulgaria for more than 183 days in any 365-day period. A resident is also any individual having his/her centre of life interest (which is determined in view of family, property, place of activity or place of property management) in Bulgaria, as well as an individual sent abroad by the Bulgarian state, its authorities and/or organisations, or by Bulgarian companies, including the family members of such individual. Any legal entities or non-personified associations, which are registered in Bulgaria, are also residents.

Non-residents are those persons, for whom the above definition is not valid.

The purpose of this representation is to serve only as general guidelines and it should not be deemed a legal or tax advice to any holder of shares. Potential investors are recommended to consult tax and legal advisors regarding the general tax consequences, including in respect of taxation in Bulgaria of income attributable to the shares and the tax regime governing the acquisition, ownership and disposal of shares.

The information set out below is in line with the legal framework effective as at the date of issuance of this Document of the Offered Securities and the Company shall not bear any responsibility for subsequent changes in legislation and the legal framework of taxation of share income.

The laws governing the tax treatment of that income, being subject to taxation, are the Corporate Income Taxation Act (CITA, published in the State Gazette, issue 105 of 22 December 2006) and the Law on the Taxes on Income of Individuals (LTII, published in the State Gazette, issue 95 of 24 November 2006).

Dividends

Dividend income paid by the Company constitutes income from a source in Bulgaria and therefore, both residents and non-residents are tax liable persons.

Pursuant to Art. 38 of LTII in connection with Art. 194 and the following of CITA, *resident and non-resident individuals* are taxable with one-off tax to be withheld and paid by the Company. The tax is at the rate of 7% (seven percent) and is imposed on the gross amount as specified in the resolution on distribution of dividends. The tax shall be paid by the Company by the end of the month following the one, in which the resolution on distribution of dividends has been adopted.

Dividend income paid by the Company to *resident and non-resident commercial companies and to sole traders* is not subject to withholding tax, and the revenue resulting from the distribution of dividends by resident companies is not recognised for tax purposes.

If dividends are distributed by the Company to the benefit of *non-resident legal entities and resident legal entities that are not traders*, they are subject to withholding tax at the rate of 7% (seven percent) on the gross amount of dividends distributed. The tax is final and is to be withheld by the Company. This provision is not applicable in case of distribution of dividends to the benefit of a contractual fund or of a resident legal entity participating in the capital as a representative of the state, if any. The tax is to be paid within three months of the beginning of the month following the one, in which the resolution on distribution of dividends has been adopted, provided that the beneficial owner of the income is a tax resident of a state wherewith the Republic of Bulgaria has a double tax treaty in force, while in all other cases, this term is by the end of the month following the one of the resolution.



Dividend income and liquidation quota income paid by the Company to the benefit of *non-residents* is not subject to withholding tax, provided that they are residents of a member state of the European Union and subject to the conditions that the respective non-resident:

- is deemed a tax resident of that EU member state, in compliance with its tax legislation, and is not deemed a tax resident of a state outside of the Community by virtue of a double tax treaty with a third state;
- is subject to corporate tax or a tax similar to the corporate tax on profits under the legislation of the relevant member state, without a right to opt or exemption from such tax; and
- has been the holder, including via a permanent establishment in the country or in another member state of the European Community, on a continuous basis, for a period of two years at least, of not less than 15 percent of the capital of the Company.

Dividend income and liquidation quota income paid by the Company to the benefit of *a permanent establishment* in another member state of the European Union is not subject to withholding tax, provided that the following conditions are fulfilled simultaneously:

- the profits of *the permanent establishment* are subject to corporate tax or a tax similar to the corporate tax on profits under the legislation of the relevant member state, without a right to opt or exemption from such tax;
- *the permanent establishment* belongs to another resident or to a company from another member state, where such resident or company is a commercial or a non-personified association and the profits thereof are subject to corporate tax;
- the resident entity or company from another member state, as indicated above, has been the holder, including via a permanent establishment, on a continuous basis, for a period of two years at least, of not less than 15 percent of the capital of the Company

In case the two-year period for holding of at least 15 percent of the Company's capital has not expired as at the date of passing of the resolution on dividend distribution, withholding tax may not be deducted, if the revenue authority is provided with a collateral at the amount of the due withholding tax. The collateral is to be released after expiration of the two-year term and provided that the other conditions, as specified above, are present.

Besides in the aforementioned cases of exemption of tax of the holders of more than 15% of the Shares of the Company, *a non-resident* may be exempt from taxes, be refunded a tax amount paid or benefit from a tax credit for the total amount or a portion of the withholding tax deducted in Bulgaria, if a double tax treaty has been concluded and is effective between Bulgaria and the state whereof that person is a tax resident.

In cases when there is a double tax treaty (**DTT**) concluded between the Republic of Bulgaria and the relevant foreign state, whereof the beneficial owner of the income is a tax resident, the provisions of such treaty prevail over the Bulgarian domestic legislation. If a DTT stipulates that dividends received by a non-resident shall be subject to tax in the relevant foreign state, the non-resident person may benefit from the provisions of such treaty by evidencing the grounds for application thereof, following the procedure and subject to the conditions of Part III, Chapter Sixteenth of the Tax and Social Security Procedure Code (**TSSPC**). According to the provisions of TSSPC, *a tax non-resident* has to demonstrate that the following grounds for application of the DTT exist: (1) that he/she/it is a tax resident of the other state in the meaning of the relevant DTT; (2) that he/she/it is the beneficial owner of the income from a source in the Republic of Bulgaria; (3) that he/she/it does not have a permanent establishment or a fixed base on the territory of the Republic of Bulgaria whereof the relevant income is attributable in fact; and (4) that specific



requirements for application of the DTT or of particular provisions thereof, regarding persons defined in the DTT itself, if such specific requirements are contained in the relevant DTT.

The circumstances specified in the TSSPC are to be attested and evidenced by means of declarations, official documents, including excerpts from public registers. Where this is impossible, other written evidence is admissible as well. Besides, the Bulgarian revenue authorities have to be presented with further documentation proving the type, amount and grounds for dividend receipt, such as, for instance, a copy of the resolution of the General Meeting of Shareholders of the Company approving the distribution of dividends and a copy of a document evidencing the securities held. A claim for application of the DTT, accompanied by the documents required, has to be submitted to the Bulgarian revenue authorities by any *non-resident* that is a beneficial owner of income, immediately after adoption of a resolution of the General Meeting of Shareholders of the Company, whereby distribution of dividends is approved.

If the Bulgarian revenue authorities refuse to exempt *the non-resident* shareholder from taxation or do not respond timely to the claim, the Company is obliged to deduct the full amount of the withholding tax due – 7% of the gross sum of dividends paid. A shareholder, whose claim for exemption from taxation has been rejected, may appeal against the relevant decision.

If the total amount of dividends or any other income paid by the Company does not exceed BGN 50,000 per annum, *the non-resident* shareholder is not obliged to submit to the Bulgarian revenue authorities a claim for DTT application. Yet, such shareholder has to present the Company with the above described documents evidencing existence of the grounds for application of the DTT.

Dividend distribution in the form of shares is not subject to taxation, i.e. no tax is due on a Company's profit distribution in the form of additional newly issued shares.

Capital gains

Gains earned by *resident or non-resident persons* on sales of shares on the official or the unofficial regulated securities market in Bulgaria (excluding revenue from block and other transactions in securities, which are concluded off the regulated market and are subject to listing only on the regulated market), as well as gains on transactions concluded under the conditions and following the procedure for tender offering under LPOS, are not subject to withholding tax.

If the conditions as per the foregoing paragraph are not fulfilled, the relevant transaction is taxable. In such case, the gains on sale of shares earned by *resident* shareholders are subject to tax in accordance with the general rules under CITA and LTII, while gains on sale of shares earned by *non-resident* shareholders are taxable at source, i.e. in Bulgaria, and the tax regime in this case is similar to the tax regime applicable to dividends, save the withholding tax rate, which shall be 10% unless otherwise provided for by an applicable DTT.

Foreign currency legislation

The Foreign Currency Act of 1999 (last amended in July 2006) provides the legal regime applicable to transactions and payments between residents and non-residents, cross-border transfers and payments, and the import and export of Bulgarian Levs and foreign currency. Regulation (EC) 1889/2005 of the European Parliament and of the Council is applicable in respect of cash on hand export and import. The comments below refer to those aspects of the legal regime, which are relevant to non-residents investing in shares.

Pursuant to the provisions of Regulation (EC) 1889/2005 (introduced by virtue of Ordinance No. 10 of 2003 of the Ministry of Finance), resident and non-resident individuals may freely import and export cash at an amount of up to EUR 10,000 or its equivalent in another currency, without a



written declaration before the Customs authorities. Resident and non-resident individuals may import and export cash at an amount equal to or above EUR 10,000, or its equivalent in Bulgarian Levs or another currency, subject to declaring, before the Customs authorities, of the owner of the cash funds and of the recipient, for whom they are intended, their amount and type, origin and purpose, as well as the transportation vehicle and route.

Besides, individuals exporting cash on hand at amounts above BGN 25,000 or their equivalent in foreign currency are required to present a certificate issued by the National Revenue Agency evidencing that the relevant individual does not have overdue tax liabilities. Non-residents, who export cash on hand not exceeding the amount of such cash imported thereby and declared before the Bulgarian Customs authorities at the last entry into Bulgaria, are not required to present such a declaration.

A non-resident individual or a company transferring income (representing capital gains or dividends) exceeding BGN 25,000 or such BGN equivalent of foreign currency, which income derives from an investment in Bulgaria (including investments in shares and other securities and derivatives of securities issued by Bulgarian companies) or from a sale of such an investment, is obliged to submit documents to the bank effecting the transfer, evidencing the investment, the sale thereof and payment of all taxes due.



5. INFORMATION ABOUT THE PUBLIC OFFERING. CONDITIONS AND TIME LIMIT

INFORMATION ABOUT THE PUBLIC OFFERING

Total number of shares offered for subscription and sale

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. 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, each at the nominal value of BGN 1 /one/ and at the issue price of BGN 2.40, 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 declared 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.

Following completion of the subscription, recording of the increased capital of the Company in the commercial register and registration of the new issue of shares with the Central Depository, the issued ordinary shares of the capital increase of the Company will be offered for trade (secondary public offering) on BSE-Sofia.

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 ratio of issued rights to new shares is rights/shares - 3/2.



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.

Following confirmation of this Prospectus for Public Offering of Shares by FSC, the Management Board of IHB shall publish a notice of the public offering, the beginning date and the closing date for transfer of rights and for subscription of shares, the registration number and the date of the FSC's confirmation of the prospectus for public offering of shares, the place, time and arrangements for becoming familiar with the prospectus, as well as other details as defined in an ordinance of FSC. Pursuant to Art. 92a, para 1 of LPOS, the notice is subject to promulgation in the State Gazette and to publishing in one central daily newspaper, the Dnevnik daily, 7 (seven) days before the beginning date for transfer of the rights and subscription of the shares.

Place and contact person

Investors interested in the offered securities may refer to the authorised investment intermediary:

First Financial Brokerage House OOD

Address: 2, Enos Str., floor 4 and 5, Sofia
Contact person: Svetozar Abrashev
Telephone: (+359 2) 810 64 00
Fax: (+359 2) 810 64 01
E-mail: office@ffbh.bg

and to

Investment Intermediary Commercial Bank Allianz Bulgaria AD

Address: 79, Pr. Maria Luiza Blvd., Sofia
Contact person: Blagoy Lenkov
Telephone: (+359 2) 921 54 80
Fax: (+359 2) 981 85 64
E-mail: b.lenkov@bank.allianz.bg

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 5th business day after the closing date of the time limit for transfer of the rights under s. Closing date for sale of the rights, on page 24 of the Document of the Offered Securities (expected date: on or around 19 November 2007), IHB, 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.

The rights sale proceeds are transferred into a special account opened with Central Depository AD and may not be used until the IHB's capital increase is recorded in the commercial register with the Sofia City Court. The distribution of amounts of the proceeds from sale of rights, both within the time limit for transfer thereof and during the auction, is carried out with the assistance of the Central Depository, according to the conditions and procedure as provided for in its Regulations.

In the beginning of each business day during the subscription, the Central Depository discloses publicly the information on rights exercised by the end of the previous business day. 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.

In the beginning of each business day during the subscription, Central Depository AD discloses publicly the information on rights exercised by the end of the previous day.



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 ⁽¹⁾
Registration of the new shares in investor accounts with the Central Depository	on or around 17 December 2007 ⁽¹⁾
Beginning of trade in new shares on BSE	on or around 14 January 2008 ⁽¹⁾

(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.

Possibility for extension of the time limits for offering of the rights and shares

The provision of Art. 84, para 1 and 2 of LPOS envisages the principle possibility for the time limit of the subscription to be extended once only by up to 60 days, where relevant amendments shall be made in the prospectus, FSC shall be notified, and the time limit extension shall be announced at the places of the subscription and in the mass media. In such case, the last date of the extended period shall be deemed the closing date of the subscription. The Company does not intend to prolong or shorten the above specified time limits for the shares subscription.

Possibility for increasing/decreasing the number of the offered shares

The number of offered shares will not be changed. Subscription of more shares than stipulated in the resolution of the General Meeting of Shareholders on the capital increase is disallowed. The capital of the Company will be increased, only if 15,000,000 (fifteen million) new shares at least and 17,502,693 new shares at the most are subscribed and paid for.



Minimum and maximum number of shares that may be subscribed by one person

Any person may subscribe at least one new share and at the most, as many new shares as the number of rights held and/or acquired thereby, multiplied by 2/3.

Conditions and procedure for subscription of the shares, including conditions for completion of forms and submission of documents by investors; conditions, procedure and time limit for withdrawal of an application (order) for subscription of shares

Pursuant to §1, s. 10 of the Additional Provisions of LPOS, a subscription of shares is an unconditional and irrevocable expression of will to acquire shares in a process of issuing thereof and to pay for their full issue price.

Conditions and procedure for subscription of shares

Persons holding shares with rights, i.e. the shareholders of the Company as recorded in the registers with the Central Depository as at 12 September 2007 (the 14th day after the date of the General Meeting at which the resolution on capital increase has been adopted) receive their rights in accounts opened by the Central Depository on 13 September 2007 on the basis of the book of shareholders. The registration of rights by accounts is carried out correspondingly, by own (personal) accounts of holders in the general register, or by their client accounts with the relevant investment intermediary, dependent on where the shares are as at the time of registration of the issue rights.

The Central Depository does not issue depository receipts for rights registered by shareholders' own accounts. According to the Regulations of CD (Enclosure 20) and the agreement reached between IHB and the investment intermediary, Commercial Bank Allianz Bulgaria AD, shareholders that have received rights in own accounts may obtain a documentary evidence of the rights held thereby at any one of the branches of CB Allianz Bulgaria AD, as specified below:

- 79, Pr. Maria Luiza Blvd., the city of Sofia
- 8, St. St. Kiril i Metodiy Blvd., the town of Balgovevgrad
- 20, Geo Milev Str., the town of Bourgas
- 10, Preslav Str., the town of Varna
- 2, Marno pole Str., the town of Veliko Tarnovo
- 8, Bdin Str., the town of Vidin
- 20, G. S. Rakovski Str., the town of Vratsa
- 19, Vasil Aprilov Str., the town of Gabrovo
- 4A, Kazenbarktsika Str., the town of Dimitrovgrad
- 10, Bulgaria Str, the town of Dobrich
- 3, Hristo Botev Str., the town of Dupnitsa
- 16, Tsanko Tserkovski Str., the town of Pleven
- 10, Gladston Str., the town of Plovdiv
- 33, Aleksandrovska Str., the town of Ruse
- 5, Mara Belcheva Str., the town of Sevlievo
- 3, Dobrudzha Str., the town of Silistra
- 121, Gen. Stoletov Str., the town of Stara Zagora



3, Vasil Levski Str., the town of Troyan

18, Hristo Botev Str., the town of Shumen

1A, Rakovski Str., the town of Yambol

Persons that have received rights by personal accounts order the transfer of such rights into their own subaccounts with Allianz Bulgaria AD or with another investment intermediary chosen thereby.

Persons holding shares with rights, as well as any other holders of rights acquired within the time limit for transfer thereof, may subscribe a relevant number of shares against such rights till expiration of the time limit for the rights transfer – refer to Closing date for sale of the rights on page 24 – and otherwise, their unexercised rights will be sold ex-officio at an open-bidding auction.

Persons that have acquired rights at the sale through the open-bidding auction may subscribe a relevant number of shares till the subscription closing date – refer to Closing date of the subscription on page 25. The Company provides for the option of distance subscription of shares through the Central Depository and its members.

Shares are subscribed through submission of a written order of standard form, which is in compliance with the provisions of Ordinance No. 1 of 15 September 2003 for the Requirements to the Activities of Investment Intermediaries.

Any persons holding shares with rights, as well as any other holders of rights acquired within the time limit for transfer thereof and/or at the open-bidding auction, submit orders for subscription of shares to the investment intermediary Commercial Bank Allianz Bulgaria AD, at any of the offices listed above, and/or to investment intermediaries that are members of the Central Depository and wherewith client accounts of the rights of such holders are kept, in compliance with the effective procedures as stipulated in the Regulations of the Central Depository.

Minimum contents of the written order for subscription of shares:

A) Individuals:

1. name and unique client's number of the individual and of his/her proxy, and if such numbers are not assigned, the following data respectively: full name, Personal Identification Number /PIN/, place of residence, address;
2. issuer, ISIN code of the issue and number of shares wherefore the order is made;
3. date, time and place of order submission;
4. total value of the order;
5. signature of the individual submitting the order.

B) Legal entities:

1. firm name and unique client's number of the entity and of its proxy, and if such numbers are not assigned, the following data respectively: firm name, BULSTAT identification code, registered seat and address of the client;
2. the data as per s. 2–5 of letter “A” above.

C) Non-resident individual/legal entity – identification data corresponding to those as per letters “A” and “B” above, as well as the data as per s. 2–5 of A above;

Any written order shall be enclosed with: (a) an original or a notary certified copy of a certificate of good standing of the ordering legal entities; (b) translated and legalised court Registration Instruments of non-resident legal entities; (c) the original of a notary-certified express power of attorney, if the order is submitted through a proxy.



Submission of orders for subscription of shares

Legal entities submit orders through their legal representatives who prove their identity by means of an identity document, a copy whereof shall be enclosed with the order. In addition, copies of the BULSTAT registration, certified by the legal representative, shall be enclosed as well. *Individuals* submit orders personally, by proving their identity by means of an identity document, a copy whereof shall be enclosed with the order. An order may also be submitted through a proxy that proves his/her identity by means of a notary-certified express power of attorney and the documents listed above, dependent on the authoriser (a legal entity or an individual).

Upon submission of an order to an investment intermediary, wherewith the accounts of rights of a client are kept, such investment intermediary notifies First Financial Brokerage House OOD, Sofia, of the submitted order. The notification is made by telephone or another distance communication method, till 16.30 o'clock of each business day of the time limit of the subscription, where a document is drawn up for any notification made by the end of a business day, which document is certified by a person from the investment intermediary's internal control department.

Investment intermediaries register orders in special ledgers, by sequence of receipt thereof and in compliance with the provisions of Ordinance No. 1 of 15 September 2003 for the Requirements to the Activities of Investment Intermediaries.

Irrevocability of orders for subscription of shares

Pursuant to § 1, s.10 of the Additional Provisions of LPOS, an investor may not withdraw his/her/its order. An investor may renounce the shares subscribed according to the procedure and subject to the provisions of Art. 85, para 6 of LPOS.

Special condition for validity of a subscription

A subscription is deemed valid, only if it is made by a holder of rights, up to the maximum possible number of shares and if the total issue price of the shares subscribed has been paid within the time limit and subject to the conditions set out below. In case of a partial payment of the issue price, the number of shares deemed subscribed is a relevant number, whereof the issue price has been fully paid.

Conditions, procedure and time limit for payment for shares subscribed

General payment rules

The new shares shall be paid for in Levs.

In compliance with the requirements of the Law on the Measures against Money Laundering, Investment Intermediary First Financial Brokerage House OOD, as well as any investment intermediaries, banks and the rest financial institutions accepting and/or effecting payment transfers, are obliged and, in certain cases, have the right to identify investors and collect, record and disclose to relevant state authorities information regarding executed transfers and the origin of funds, in accordance with the requirements of the law and their internal applicable rules.

In case of subscription of new shares through an investment intermediary, the transfer of funds may also be effected by the relevant investment intermediary for the account of its client-investor.

Deadline for payment

Investors are obliged to pay the issue price of shares subscribed thereby at the latest by the end of the last day of the subscription (the closing date for subscription of shares). Payment is deemed effected on the day when the special bank account of IHB with Commercial Bank Allianz Bulgaria is credited with the relevant amount.



Form of payment

Payment may be effected in cash or via bank transfer, including an electronic one. In any case, the document (including the electronic one) for the transfer (a payment order, deposit receipt or alike) should contain at least the investor's name/firm name/title and the total number of new shares subscribed, which are being paid.

Bank account for 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. According to law, cash funds received in this account shall be frozen and may not be used by the issuer before the capital increase is recorded with the commercial register, while in the event of an unsuccessful subscription, they shall be returned to investors according to the procedure and subject to the conditions set out herein below.

Early completion of the subscription

If all the shares of this issue are subscribed before the closing date of the subscription, the Company shall notify FSC within 3 (three) business days (*Art. 112b, para 12 of LPOS*) and shall undertake the necessary actions for recording the capital increase in the commercial register and then, for registration of the new issue of shares with the Central Depository and BSE.

If all the shares are not subscribed by the closing date of the subscription but at least 15,000,000 shares are subscribed and paid for, the capital shall be increased up to the amount of subscribed and paid for shares and the new issue at that amount shall be registered with Central Depository AD, FSC and BSE – Sofia AD.

The increase of the Company's shares by rights excludes the possibility of subscription of more shares than the offered and of competition among orders.

Conditions, procedure and date of announcement to the public of the results of the subscription and respectively, of the sale of shares

IHB shall inform the Deputy Chairperson, Head of the Investment Activity Supervision Department of FSC, within 3 (three) business days of conclusion of the subscription, about the carrying out and results thereof, including any difficulties, disputes and alike, regarding trading in the rights and subscription of the shares.

Within a 7-day term of completion of the initial public offering of shares, the Company shall send a notification to FSC regarding the result of the public offering, containing information about the closing date of the public offering; the total number of shares subscribed; the amount received against the shares subscribed; the amount of commissions and other expenses on the public offering, including fees paid to FSC. The Company shall enclose with the notification a certificate issued by the Central Depository for registration of the issue and a bank certificate by Commercial Bank Allianz Bulgaria AD evidencing the payments made for the subscribed shares (*Art. 24, para 1 of the Prospectuses Ordinance*).

In case the public offering ends up unsuccessfully, FSC records the launched securities issue in the register under Art. 30, para 1, s. 3 of the Law on the Financial Supervision Commission.

If the court refuses to record the increase of the capital of IHB in the commercial register, IHB shall notify FSC within 7 (seven) days of the issuance of the court decision.



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.

Procedure and time limit for refund of cash funds paid for shares subscribed and respectively purchased, in the event of unsuccessful completion of the public offering

If the subscription ends up unsuccessfully, within 3 days the Company shall publish a notice thereof in two central daily newspapers /the Pari daily and the Dnevnik daily/, as well as on the Internet site of the Company at www.bulgariaholding.com. Besides, it shall notify FSC pursuant to Art. 112b, para 12 of LPOS. Amounts paid together with interest accrued by the bank shall be refunded to investors within 30 days of the notice under Art. 112b, para 12 of LPOS via transfers into banks accounts specified by investors or in cash. If the capital increase is not recorded in the commercial register, the Company shall inform promptly FSC, BSE and the Central Depository, shall publish a notice in the aforementioned daily newspapers within 3 days of entry into force of the court decision on rejection of the increase, and shall refund the received amounts within 30 days of the notice under the same procedure.

Procedure for exercising the right of purchasing with priority the offered securities (procedure for exercising the rights to subscribe securities in the meaning of § 1, s. 3 of LPOS); procedure applicable in the event of non-exercising of that right.

In the event of increase of the capital of a public company, the shareholders that have acquired shares not later than 14 days after the date of the resolution of the General Meeting on increasing the capital, are entitled to acquire with priority a portion of the new shares corresponding to their interest in the capital before the increase. One right is issued against each share existing as at the end of the specified term, which right entitles to subscription of 2/3 new shares.

Shareholders unwilling to participate in the capital increase, as well as any other holders of rights, having acquired them via purchases on a secondary market, 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.

The Issuer, IHB, 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.

If a person, having purchased rights during the auction, does not exercise them, or if a person, having subscribed shares, does not pay their issue price, the relevant shares shall be deemed unsubscribed.



Circumstances whereunder the public offering may be cancelled or suspended; circumstances whereunder the cancellation may occur after beginning of the trade.

The Financial Supervision Commission may suspend the public offering for not more than 10 successive business days for each particular occasion, as well as prohibit the public offering, if it has sufficient evidence to consider that the provisions of LPOS or the acts on its application, have been violated.

During the period from issuance of a confirmation of the prospectus till the closing date of the public offering or beginning of trade on the regulated market, the Company is obliged to prepare a supplement to the prospectus and to present it to FSC, at the latest by the end of the next business day after occurrence, respectively, becoming aware of a significant new circumstance, material error or inaccuracy regarding the information contained in the prospectus, which may have an impact on the valuation of the offered securities.

The Financial Supervision Commission may refuse to approve the supplement to the prospectus, if the provisions of LPOS and the acts on application thereof have not been observed. In such case, FSC may finally discontinue the public offering pursuant to Art. 212 of LPOS.

SECURITIES DISTRIBUTION PLAN

Groups of potential investors whereto the shares are offered

The new shares will be offered to the public only in the Republic of Bulgaria. All resident and non-resident persons are addressees of the new shares, except in cases when this constitutes a violation of applicable laws. Non-resident investors that are not local persons and intend to subscribe new shares have to become familiar with the applicable laws in their jurisdictions.

All investors may participate in the capital increase of the Company on equal footing by purchasing rights within the term for their transfer/trade in rights, and exercise these rights by subscribing shares against them within the set time limits. 2/3 new shares of IHB, at the issue price of BGN 2.40 per share, may be subscribed against each one right.

Reasons for preferential offering of shares to a particular group of investors

There are no reasons for preferential offering of shares to particular groups of investors (including present shareholders, save their right to priority acquisition of new shares, the members of the Management Board and of the Supervisory Board of the Issuer, current or former employees of the Issuer or of its subsidiaries).

Statement of whether the major shareholders or members of the Supervisory Board and of the Management Board of the Issuer intend to acquire the offered shares and whether any person intends to acquire more than 5 percent of the offered shares, to the best knowledge of the Issuer

To the best knowledge of the Issuer, IHB, the members of the Management Board and of the Supervisory Board of the Company and the major shareholders (refer to page 147 of the Registration Instrument, Principal Shareholders) intend to acquire some of the offered shares of the capital increase by exercising the rights held thereby.

IHB does not have information of whether any person intends to acquire more than 5 percent of the offered shares, except for the major shareholders as specified in the foregoing paragraph.



IHB and Investment Intermediary First Financial Brokerage House OOD have not and do not intend to determine ratios, tranches and/or number of new shares to be distributed among particular categories of investors. It is neither possible, nor envisaged for additional shares, beyond the offered 17,502,693 new shares, to be issued and/or proposed within the offering.

PRICE

Price, at which the shares are offered

The shares are offered at the issue price of BGN 2.40 per share.

Expenses to be born by any investor subscribing and paying for shares

Investors shall bear at their account any expenses on fees and commissions of the investment intermediary, money transfer institutions, Bulgarian Stock Exchange – Sofia AD, Central Depository AD, which are related to purchasing rights and subscription of shares of IHB.

Criteria used at determining the price, at which the shares are offered

The issue price has been determined by the General Meeting of the Company, having taken into consideration the interests of the Company's shareholders, at a discount from the market price, and aims at facilitated attracting of investors.

The objective is to create conditions for facilitated raising of capital and participation of more investors as shareholders of the Company.

ARRANGEMENT OF THE OFFERING

Banks and depository institutions

The bank, wherewith a special escrow account has been opened, in which the issue price of subscribed shares will be paid, is *Commercial Bank Bulgaria AD* with registered seat and address of management at 79, Maria Luiza Blvd., Sofia.

The depository institution regarding the offered shares and therewith related rights is *Central Depository AD* with registered seat and address of management at 4, Tri Ushi Str., floor 4, Sofia.

Investment intermediaries

Investment intermediary appointed to administer the capital increase

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 region, 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 carry out the necessary actions in connection with the capital increase of the Company, including by offering to the shareholders of the Company and to institutional investors, as well as to a wide range of investors on the territory of Bulgaria that have purchased rights on the stock exchange, to subscribe shares of the Company's capital increase and pay their issue price.

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.

No guarantee for the offered issue of shares is envisaged to be undertaken or established. There is no plan for distribution of the shares among various investment intermediaries.

Investment intermediary appointed to issue certificates to shareholders that have received rights by personal accounts

The investment intermediary ***Commercial Bank Allianz Bulgaria AD*** has been authorised to issue certification documents of rights owned by shareholders that have received rights by personal accounts.

Pursuant to an agreement with IHB, 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.

IHB does not owe a fee to Commercial Bank Allianz Bulgaria AD for the issuance of certification documents. Shareholders that have received rights by personal accounts and want to be issued certificates of the rights owned by them, shall pay fees to the relevant investment intermediary in accordance with its Tariff.



6. ADMISSION TO TRADE ON A REGULATED MARKET

The regulated market, on which the Issuer intends to submit an application for admission of the issue for trade

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.

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 another public or private subscription of securities of the same or another class, which is arranged for simultaneously with the issue of shares, whereof an application for admission to the regulated market is made

There is no other public or private subscription of securities of the same or another class, which is arranged for simultaneously with the issue of shares offered by this Document of the Offered Securities and whereof admission to BSE – Sofia AD is applied for.

Investment intermediaries that undertake the obligation to provide for liquidity via buy and sell quotations

IHB has not engaged investment intermediaries to undertake the obligation to provide for liquidity of the issue via buy and sell quotations.



7. HOLDERS OF SECURITIES – SELLERS IN THE PUBLIC OFFERING

The shares of the IHB's capital increase shall be offered for subscription on behalf and for the account of the Company.

Rights may be offered for sale both by shareholders with rights recorded in the register of the Central Depository on the 14th day after the date of the General Meeting, at which the resolution on capital increase has been passed, and by persons that have acquired rights through purchases on the secondary market.



8. EXPENSES ON THE PUBLIC OFFERING

The expected net income from the public offering, provided that the whole amount of the offered issue of shares is subscribed, less expenses on carrying it out, is BGN 41,725,343.

In consideration of fulfilment of its obligations to administer the issue of securities, the investment intermediary First Financial Brokerage House OOD, Sofia shall receive from IHB a success fee (for carrying out successfully the capital increase) at 1.50% of the amount of the issue price of shares subscribed and paid for by investors other than the major shareholders and shareholders that have stated preliminarily their intentions to subscribe shares.

The following table sets out, by items, the main expenses that are directly related to the public offering of securities where expenses relevant to the entire activity of the Company are not included.

All expenses listed below are for the account of the Company. There are stated those expenses, which are expected to arise in connection with the capital increase.

Expenses on hired services	
Fee of the authorised investment intermediary (forecast amount)	BGN 263,126
Publication of a notice of the capital increase in one daily newspaper (forecast amount)	BGN 800
Promulgation of a notice of the capital increase in the State Gazette (forecast amount)	BGN 225
Expenses on fees and commissions	
Fee for confirmation of a prospectus for initial public offering upon initial capital increase by the Financial Supervision Commission	BGN 5,000
Fee for assignment of a ISIN code to the issue of rights	BGN 56
Fee for depositing the issue of rights with Central Depository AD	BGN 6,213
Issuing of a certificate by Central Depository AD for listing the shares of the Company on the unofficial market of BSE-Sofia AD	BGN 50
Fee for depositing the issue of shares with Central Depository AD	BGN 5,650
TOTAL	BGN 281,120

These expenses account for BGN 0.016 per share.



9. DILUTION OF THE VALUE OF SHARES

The Company may issue additional ordinary shares when subsequently increasing its capital. Under Bulgarian law and subject to the rules and regulations of the stock exchange, the Company is obliged to offer such ordinary shares to then current shareholders, by virtue of their right to acquire a portion of these new shares corresponding to their interest in the capital before the increase. Nevertheless, then current shareholders may opt not to participate in a future issue of ordinary shares, which would result in dilution of their shareholding in the Company.



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, receive a free copy thereof and obtain further information thereon at the offices of:	
<p>THE ISSUER:</p>  <p>INDUSTRIAL HOLDING BULGARIA</p>	<p>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 Contact person: Bogomila Ivanova Hristova Investor Relations Director 10.00 h – 16.00 h</p>
<p>THE AUTHORISED INVESTMENT INTERMEDIARY:</p> 	<p>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 Contact person: Elena Nancheva Dimitrova Svetozar Abrashev 8.45 h – 17.45 h</p>

This document may be found on the Internet site of Industrial Holding Bulgaria PLC, www.bulgariaholding.com, and on the Internet site of First Financial Brokerage House OOD, www.ffbh.bg.



Persons responsible for the information used in drawing up
the Document of the Offered Securities:

Bogomila Hristova
*Investor Relations Director
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 Document of the Offered Securities complies with the
requirements of law.

Daneta Zheleva
Executive Director