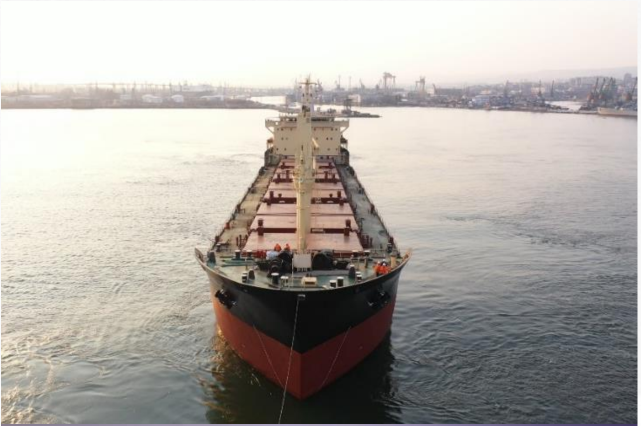
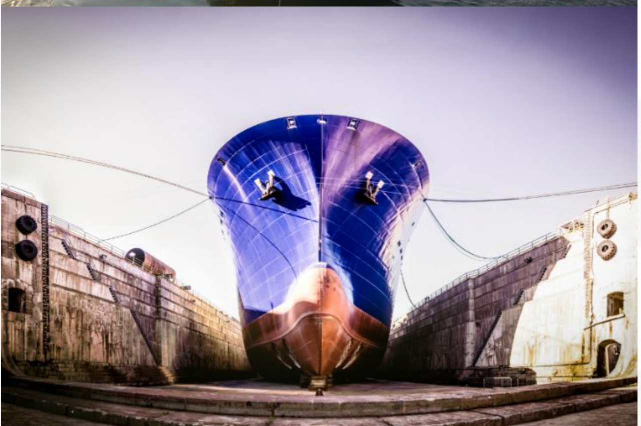
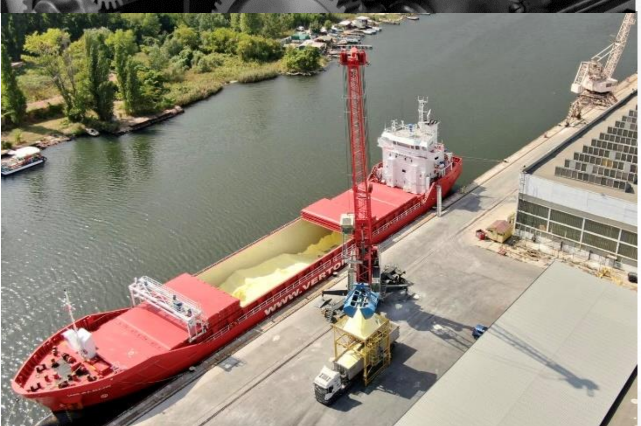
INTERIM CONSOLIDATED REPORT

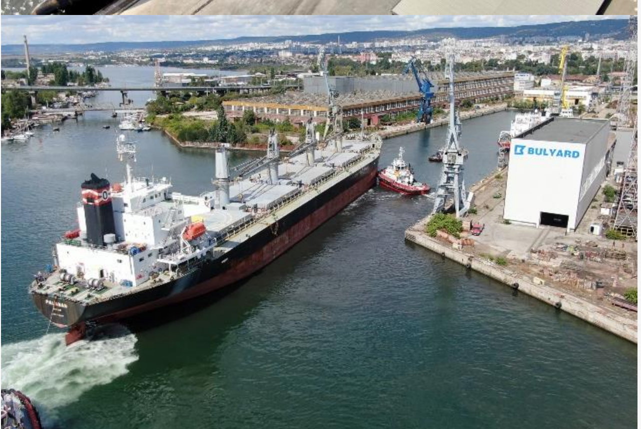
30 JUNE 2024

INDUSTRIAL HOLDING BULGARIA PLC









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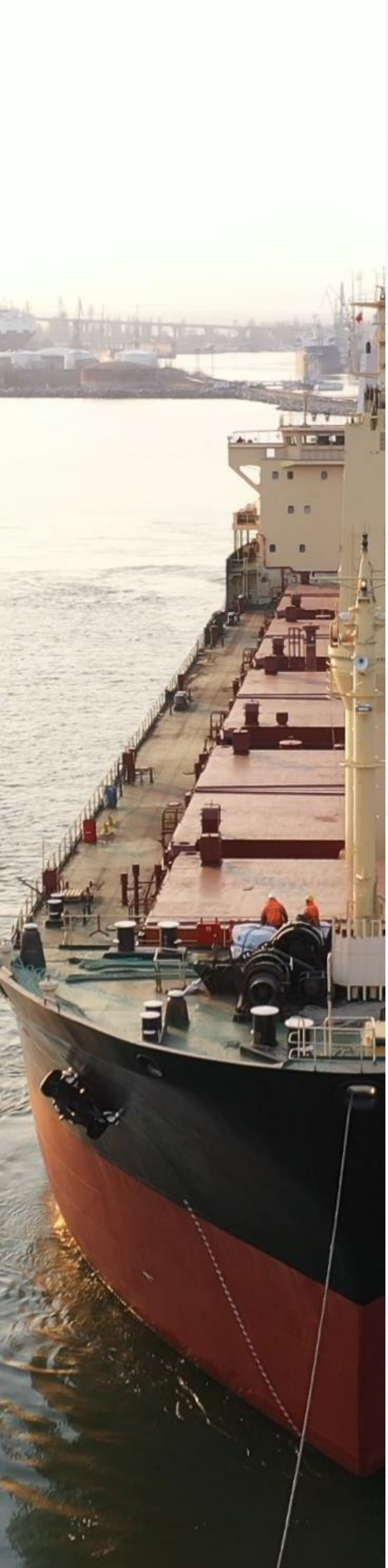

GENERAL INFORMATION

Management Board

Daneta Angelova Zheleva

Borislav Emilov Gavrilov

Galina Petrova Deneva

Vasil Mladenov Tsanev

Supervisory Board

Konstantin Kuzmov Zografov

DZH AD, represented by Elena Petkova Kircheva

Snezhana Ilieva Hristova

Audit Committee

Maksim Sirakov

Snezhana Hristova

Boryana Dimova

Headquarters and registered office

Republic of Bulgaria

Sofia 1202

Vazrazhdane area

79, Knyaginya Maria Luiza Boulevard, floor 3

Register and registration number

121631219

Consolidated Six-month Management Report

1. IMPORTANT EVENTS, WHICH HAVE OCCURRED AFTER THE FIRST SIX MONTHS OF 2024 AND THEIR IMPACT ON THE RESULTS REPORTED IN THE FINANCIAL STATEMENTS

In the past six months, the IHB Group realised sufficient and stable financial results, despite the decrease in profit on a consolidated basis compared to the previous six months. Overall, the international economic environment is volatile, impacted by the numerous conflicts in different parts of the world, still high prices of key raw materials and commodities, rising prices of services and wages and rising interest rates.

1.1. OPERATING RESULTS

The results on a consolidated basis are presented in the following table:

in BGN'000	30 June 2024	30 June 2023
Revenue	62,944	64,690
Operating profit / loss	5,261	10,160
Net finance income / finance costs	2,700	(244)
Profit / loss before tax	7,961	9,916
Profit / loss after tax from continuing operations	6,999	9,205
Profit / loss after tax attributable to majority owners	6,936	9,037
EBITDA	11,796	16,965

The Group's total revenue for the six months of 2024 decreased by 2.70% compared to the revenue for the same period of 2023.

Revenue from core activity for the first six months of 2024 was BGN 61,345 thousand compared to BGN 63,324 thousand for the same period of 2023, or a decrease of 3.13%, by segments as follows:

- The Sea transport segment scored a decrease of 11.63%;
- The Shipbuilding and ship repair segment scored an increase of 21.90%;
- The Port Operations segment scored an increase of 3.81%.
- The Machine building segment scored a decrease of 18.83%.
- Other activities segment scored a decrease of 9.54%.

The dynamics of revenue were mainly due to the following factors:

- Vessel charter revenue decreased due to the fewer number of days in charter in the first six months of 2024 compared to the comparable prior year period due to the average repair of one of the ships;
- Revenue in the Shipbuilding and ship repair segment increased as a result of the customer outflows from China due to increased costs and risk of movement because of the events in the Gulf of Aden and the armed conflict in the Gaza Strip. The companies' active marketing policy had an additional positive effect;
- Cargo handling revenue declined as a result of the slowed-down economic activity in the country and the imbalance in the grain market;
- Revenue from the sale of metal-cutting machines dropped as a result of reduced investment activity due to the restrictive global economic environment.

The other operating income on a consolidated basis for the first six months of 2024 amounted to BGN 1,599 thousand compared to BGN 1,366 thousand for the same period of 2023.

The Group reported net finance income in the amount of BGN 2,700 thousand for the first six months of 2024 as a result of the exchange rate gains due to the US Dollar appreciation and reported interest income. For the same period of 2023, net finance costs of BGN 244 thousand were realised, which were due to the exchange rate losses as a result of the US Dollar depreciation.

The operating result for the period was a profit of BGN 5,261 thousand compared to a profit of BGN 10,160 thousand for the same period of the previous year.

The financial result before taxes for the first six months of 2024 was a profit of BGN 7,961 thousand compared to a profit of BGN 9,916 thousand for the same period of 2023.

The result after taxes was a profit of BGN 6,999 thousand, including BGN 6,936 thousand attributable to the majority owners.

1.2. MAIN SCOPE OF THE ACTIVITY

In the past six months, the activity of Industrial Holding Bulgaria PLC, as regards its investment portfolio, is related to the incorporation of two new companies:

- Ticha LTD, Marshal Islands, a subsidiary of KLVK AD, incorporated on 8 May 2024;
- Vaya LTD, Marshal Islands, a subsidiary of KLVK AD, incorporated on 3 June 2024.

The two companies were explicitly incorporated to purchase and operate a vessel for the IHB fleet.

1.3. CORPORATE EVENTS

a. General Meeting of the Shareholders of Industrial Holding Bulgaria PLC

Regular Annual General Meeting of the Shareholders of Industrial Holding Bulgaria PLC

With its decision, the Supervisory Board of Industrial Holding Bulgaria PLC convened a regular annual General Meeting of the Shareholders of the Company to be held on 25 June 2024.

The so-convened regular Annual General Meeting of Shareholders of Industrial Holding Bulgaria PLC was held on 25 June 2024 and took the following decisions:

1. Approval of the Report on the Activity of the Company for 2023 and the Consolidated Report on the Activity of the Company for 2023

Decision: The General Meeting of Shareholders approves the Report on the Activity of the Company for 2023 and the Consolidated Report on the Activity of the Company for 2023.

2. Approval of the Report of the Registered Auditor for the audit of the Annual Financial Statements of the Company for 2023 and the Report of the Registered Auditor for the audit of the Consolidated Annual Financial Statements of the Company for 2023.

Decision: The General Meeting of Shareholders accepts the Report of the Registered Auditor on the audit of the Annual Financial Statements for 2023 and the Report on the audit of the Consolidated Annual Financial Statements of the Company for 2023.

3. Approval of the Annual Financial Statements of the Company for 2023 and the Consolidated Financial Statements of the Company for 2023.

Decision: The General Meeting of Shareholders approves the Company's Annual Financial Statements for 2023 and the Consolidated Financial Statements of the Company for 2023.

4. Deciding on distributing the 2023 profit of the Company

Decision: The General Meeting of Shareholders takes a decision that the profit of the Company for 2023 amounting to BGN 6,220,345.72 (six million, two hundred and twenty thousand, three hundred and forty-five Bulgarian leva and seventy-two stotinki) to be set aside as retained earnings of the Company.

5. Report on the remuneration policy implementation for the Supervisory and Management Boards of Industrial Holding Bulgaria PLC members for 2023.

Decision: The General Meeting of Shareholders approves the Report on the remuneration policy implementation for the Supervisory and Management Boards of Industrial Holding Bulgaria PLC members for 2023.

6. Release from liability of the members of the Management Board and the Supervisory Board for their activities in 2023

Decision: The General Meeting of Shareholders releases from liability for their activities in 2023:

As members of the Supervisory Board

- Snejana Ilieva Hristova
- Konstantin Kuzmov Zografov
- DZH AD, represented by Elena Petkova Kircheva.

As members of the Management Board:

- Daneta Angelova Zheleva,
- Galina Petrova Deneva,
- Borislav Emilov Gavrilov,
- Boyko Nikolov Noev for the period from 01 January 2023 to 19 May 2023;
- Vasil Mladenov Tsanev for the period from 19 May 2023 to 31 December 2023;

7. Determining the remuneration of the members of the Supervisory Board and the Management Board of the Company for 2024

Decision: The General Meeting of Shareholders determines a monthly remuneration of BGN 1,200 payable to the Company's Supervisory and Management Board members in 2024.

8. Adoption of a decision to continue the mandate of members of the Company's Supervisory Board.

Decision: The General Meeting of Shareholders re-elected Mrs Snezhana Ilieva Hristova as a member of the Supervisory Board of DZH AD through an expressly appointed representative for a new 5-year mandate as of the date of the General Meeting of Shareholders.

9. Report on the Company's Audit Committee activity for 2023.

10. Election of a registered auditor of the Company for 2024.

Decision: The General Meeting of Shareholders elects the recommended by the Audit Committee registered auditor of the Company for 2024 – BDO AFA OOD.

11. Change of the Company's registered address.

Decision: The General Meeting of Shareholders changes the Company's registered address from 42, Damyan Gruev Street, Krasno Selo area, Sofia city to Vazrazhdane area, 79, Knyaginya Maria Louisa Boulevard, floor 3, Sofia city.

12. Amendments to the Company's Articles of Association in connection with the decision taken under item 11 for changing the registered address.

Decision: The General Meeting of Shareholders amends the Company's Articles of Association in connection with the decision taken under item 11 for changing the registered address as follows:

1. In Article 2, Paragraph 3, the phrase: “42, Damyan Gruev Street, Krasno Selo area, Sofia city” is replaced with „Vazrazhdane area, 79, Knyaginya Maria Louisa Boulevard, floor 3, Sofia city”;

The wording of Article 2, Paragraph 3 of the Company’s Articles of Association shall read as follows:

„Registered address: Vazrazhdane area, 79, Knyaginya Maria Louisa Boulevard, floor 3, Sofia city.

2. In Paragraph 2 of the Final Provisions after the phrase "and with a decision of the General Meeting of the Company held in Sofia on 15 June 2023" a comma is inserted and the phrase "and with a decision of the General Meeting of the Company held in Sofia on 25 June 2024" is added.

13. Report on the activities of the Investor Relations Director in 2023.

14. Empowerment of the Management Board of the Company to conclude transactions falling within the scope of Article 114, Paragraph 1, Item 2 of the Public Offering of Securities Act (POSA)

Decision: The General Meeting of Shareholders of Industrial Holding Bulgaria PLC, based on the substantiated report of the Management Board, prepared under Article 114a of the POSA, authorises the Management Board of the Company to enter into transactions falling within the scope of Article 114, Paragraph 1, Item 2 of the POSA, consisting in the issuance of two corporate guarantees and the occurrence of contingent liability for Industrial Holding Bulgaria PLC in favour of Sumec Marine Co. Ltd. and New Dayang Shipbuilding Co. Ltd., P.R. China, as the seller, to guarantee the performance of obligations of the subsidiaries Karia Ltd., Marshall Islands, and Ticha Ltd., Marshall Islands, under the following main parameters:

- purpose: to guarantee payments under a shipbuilding contract for two 64,100 DWT Bulk Carriers
- amount of each corporate guarantee: USD 34,600,000 plus sums for additional work contracted during the construction process, but not more than 5 % of the corporate guarantee amount.
- validity of the corporate guarantees: until the ships are handed over, but not later than 31 December 2028.

The Management Board, directly or through the Company's Chief Executive Officer, has the right to negotiate all other parameters of the above transactions within the above-mentioned significant terms and conditions.

Extraordinary General Meeting of the Shareholders of Industrial Holding Bulgaria PLC

With its decision, the Supervisory Board of Industrial Holding Bulgaria PLC convened a extraordinary General Meeting of the Shareholders of the Company to be held on 19 July 2024.

The so-convened extraordinary General Meeting of Shareholders of Industrial Holding Bulgaria PLC was held on 19 July 2024 and took the following decisions:

1. Empowerment of the Management Board of the Company to conclude a transaction falling within the scope of Article 114, Paragraph 1, Item 2 of the POSA.

Decision: The General Meeting of Shareholders of Industrial Holding Bulgaria PLC, based on the substantiated report of the Management Board, prepared under Article 114a of the POSA, authorises the Management Board of the Company to enter into a transaction falling within the scope of Article 114, Paragraph 1, Item 2 of the POSA, consisting in the issuance of one, third in order, corporate guarantee and the occurrence of contingent liability for Industrial Holding Bulgaria PLC in favour of Sumec Marine Co. Ltd. and New Dayang Shipbuilding Co. Ltd., P.R. China, as the seller, to guarantee the performance of an obligation of the subsidiary Vaya Ltd., Marshall Islands, under the following main parameters:

- purpose: to guarantee payments under a shipbuilding contract for two 64,100 DWT Bulk Carriers
- amount of each corporate guarantee: USD 35,150,000 plus sums for additional work contracted during the construction process, but not more than 5 % of the corporate guarantee amount.
- validity of the corporate guarantees: until the ship is handed over, but not later than 30 June 2028.

The Management Board, directly or through the Company's Chief Executive Officer, has the right to negotiate all other parameters of the above transactions within the above-mentioned significant terms and conditions.

b. Buyback of shares of IHB

On the grounds of Article 187b of the Commercial Act and Article 111, paragraph 5 of POSA, the General Meeting of Shareholders held on 18 November 2021 resolved to discontinue the currently effective treasury shares redemption procedure and initiate a new procedure for a term of five calendar years under the following parameters:

Number of shares subject to redemption every year for five years - up to 3% of the registered capital of the Company for every calendar year, but not more than 10% in total for the entire period of redemption and not more than 10 % of the total capital of the Company.

- Minimum buyback price - BGN 1.00 per share;
- Maximum buyback price - BGN 3.00 per share.

In the first six months of 2024, IHB did not conduct transactions concerning the decision to buy back shares. As of 30 June 2024, Industrial Holding Bulgaria PLC did not own treasury shares.

2. Financial resources and financial risk management

2.1. Financial resources and opportunities for implementation of investment intentions

In the first six months of 2024, IHB met its needs to cover the operating costs with funds from its principal activity. The primary sources of financing for IHB were interest and principals on loans originated to subsidiaries, dividends received from subsidiaries, and interest on USD deposits with banks. The Holding redirected part of these funds to fund its subsidiaries' investment programs.

The main financial commitments of the Company are related to investment projects – its own and its subsidiaries.

The management of the Holding has restructured the cash available in pursuit of their medium-term investment intentions within the Group in line with the change in priorities, changes in the market environment, and given the trends outlined and uncertainties surrounding the development of the entities functioning in various segments.

At the end of June 2024, the Group contracted to construct three new 64,100 DWT bulk carriers for the IHB fleet in China. The vessels will be acquired from the new subsidiaries, Vaya Ltd, Karia Ltd, and Ticha Ltd, Marshall Islands, which were incorporated especially for the purpose. The total investment is USD 104,350 thousand, with an expected delivery date of October 2027 for the first vessel and April and May 2028 for the following two, respectively. In early August 2024, the Group financed with its own funds the first advance payment under the contracts totalling USD 19,113 thousand (after receipt of the counter bank guarantees from the seller). Other sources of financing will be the balance of the free USD cash, additional funds generated by the fleet, and a bank loan. The bank loan is expected to cover approximately 50% of the transaction value.

At Odessos PBM, the port expansion activities continue: the construction of the new quay wall is almost complete, a substantial part of the necessary port machinery has been purchased, and the construction of the warehouse required is in its final stages. The dredging and lengthening of the sea area are currently underway. The project is financed with the Group's own funds and a bank loan under Contract No. 22F-000155. The extension is expected to be operational in late 2024.

Initial construction works related to the port extension have started on a similar project in KRZ Port Burgas. The financing of the project is to be structured, and its active implementation is expected to begin after the completion of the construction works at Odessos PBM.

It is planned to commence activities to expand the solar park at ZMM Sliven by 1.1 MWp, using part of the solar panels purchased for the project to build a new ground-based photovoltaic plant within ZMM Nova Zagora. However, administrative obstacles in obtaining the required grid connection permit still prevent the continuation of the project activities in ZMM Nova Zagora.

The Group also pursues other projects, mainly related to the purchase of new machinery and equipment and upgrading the building fund.

Other investment opportunities (such as projects related to renewable energy, etc.) are also discussed. Capital expenditure for new acquisitions and business expansions is also possible.

The primary sources of financing for the IHB Group's investments are own funds and bank lending. The decisions about the amount and sources of necessary funds are taken case-by-case. An Investment Committee was formed at the IHB as a standing subsidiary body to the Company's Management Board, with a view to the need for prior discussion and prioritisation of investments concerning different subsidiaries. The goal of the Investment Committee is to coordinate the IHB Group's investment policy in compliance with the development strategy implemented by the Management Board.

IHB has an agreement concluded with UBB for the provision of a total limit for working capital financing, issuance of bank guarantees, and opening of letters of credit of the Holding and/or its Group companies of up to BGN 12,000 thousand with an option for disbursement in BGN and EUR.

As of 30 June 2023, bank guarantees from the contract limit were issued to the following Group companies - IHB Metal Castings AD for BGN 20 thousand, ZMM Nova Zagora for BGN 7 thousand, and Bulyard Shipbuilding Industry EAD for BGN 50 thousand (31 December 2023: BGN 163 thousand).

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

Regarding receivables, when there is uncertainty about their collectability, the companies make the corresponding impairments. IHB provides guarantees and secures liabilities of subsidiaries, if necessary.

For more information on the employed financial instruments and risk assessment and financial risk management of IHB, see Note 33 Financial Instruments to the interim financial statements for the first six months of 2024.

2.2. MAIN RISKS AND UNCERTAINTIES TO WHICH THE GROUP IS EXPOSED

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

a. Non-systematic risks specific to the Group

Risks associated with the structure of the Group's portfolio

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

Risks arising from pandemics and epidemics

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

Risks arising from natural disasters

Like many other regions of the world, Bulgaria is exposed to almost all risks related to climate change. Natural disasters such as floods, earthquakes, hailstorms, etc., resulting from these risks can cause both loss of human life and large financial losses, significantly affecting economic stability and growth. The impact of such events can often go beyond the borders of the country in which they occur and threaten large-scale territories in neighbouring countries.

Risks arising out of dependence on the development of the global economy and trade

The state of the global economy and demand for raw materials underpin the development of trade. Of all segments in the IHB's investment portfolio, the most direct and imminent impact they have on the shipping industry. Stress on the market and pressure on the freight have a number of divergent factors:

- cyclicity of the shipping industry – cycles are linked to the global economy and the balance between the proposed shipping tonnage and the needs of exporters and importers. Risk exists for operators who have failed to properly plan and distribute their cash flows at a time of difficult access to finance under aggravated conditions during crisis;
- number of ships in construction and entry into service and state of the ship cutting market
- increased environmental restrictions – the introduction of new eco-norms and directives against environmental pollution and for energy savings for vessels imposes mandatory reconstructions of vessels and other technical solutions to bring them in compliance with ecological regulations;
- global fuel problems - on the one hand, oil can be a cause of conflict and, on the other hand, the price and availability of it can be a cause of erosion or a fall in the freight market, as marine fuels are the main commodity in the industry and a stock commodity. Restrictions imposed by the European Union and the United States on Russia as a major global supplier of crude oil and gas are having a negative effect;

The level of economic activity worldwide has impacted on machine building, shipbuilding and ship repair, while port operations depend to a greater extent on the developments both in the domestic market and the region.

Risk of political instability in traditional markets and regions, military activities and/or penalties imposed

This risk stems from future changes in economic policy imposed by objective economic or political circumstances - expanding war conflicts around the world, political uncertainty in many places, sanctions and restrictions imposed on trade with a number of countries, refugee flows. This risk impedes the free movement of goods and people, and leads to a change in trade flows and transport corridors; moreover, it hampers the access of registry inspectors to supervised vessels. The risk also affects the machine building industry by reducing sales volumes on traditional markets.

Risks associated with fraud and abuse

The changing environment in combination with the expanding use of new technologies have intensified the risk of fraud and abuse, including the risk related to cyber-attacks, unscrupulous trade practices, bankruptcies of contractors, etc.

Risks relating to environment legislation

The domestic and international legislation on ecology implies compliance with a number of measures for the prevention, control and reduction of various types of environmental pollution. The trend in recent years is to increase regulations in this area. The pressure on phasing out the use of traditional energy sources, such as coal, oil or gas, is growing worldwide. Restrictive duties are being introduced on imports of raw materials from countries that do not follow the European Union's environmental policies and other financial burdens to compensate for the harmful effect on the environment.

It is a policy of the Group to comply with its regulatory obligations in the area of ecology, which is linked to fixed investments for the alignment and maintenance of facilities and processes in accordance with the required standards, as well as investing in environmentally friendly technologies (related to RES, equipping own ships with ballast systems, reducing carbon emissions from the Group's fleet, etc.).

Risk related to basic commodities, materials and energy sources

This risk results from changes in the supplies and prices of raw materials, materials and various energy sources being used. Disrupted supplies result in rise in prices and it in turn, has an unfavourable effect on the results of manufacturing companies operating in metal-intensive and energy-absorbing segments, such as machine building and ship repair. Maritime transport is dependent on the prices of fuels. The impact of changes in the market price of electric energy is similar, as the electric energy is subject to international supply and demand and is determined by factors beyond the control of management. For several years now, the supply of electric energy has been negotiated at a Group level on the open market.

Risks relating to attracting and retaining experienced and qualified employees

Many sectors of the national economy are experiencing a capacity crunch exacerbated by a long-standing lack of focus on secondary vocational education. The lasting trend of declining and aging population in our country reduces people of working age. Employees' professional qualities affect directly entities' financial results and innovation performance. The risk is intensified by the convertible nature of some professions and high worldwide demand for such staff.

Management has adopted a long-term approach to human resource management related to preliminary and subsequent qualification of staff, a close cooperation with the academic society in the country, and attracting foreign workers.

Credit risk

Credit risk is the risk of possible financial loss if a client or a party to a financial instrument fails to perform its contractual obligations. The risk is mainly related to receivables from clients and investments in other financial assets.

Receivables from clients – The Group's credit risk exposure depends on the customer's individual characteristics that differ between sectors. The most affected segments are that of ship repair, ship design, port activities, classification and certification.

The unstable political and economic environment intensified the level of credit risk worldwide and for the Group in particular. The Group's credit policy provides for that each new client shall be investigated for solvency before being offered the standard delivery and payment terms and conditions. Besides the price offered, when selecting a potential client or a charterer managers consider its credit rating, reputation, popularity, recommendations, etc.

Investments – The Group invests mainly in businesses and companies where the Holding holds the control and power to determine their development strategy.

Guarantees - It is a policy of the Group to issue financial guarantees only to Group companies and only after obtaining the preliminary approval of the Group's competent bodies. There is a risk that the guarantees may be utilised in the event of non-performance of the covered liabilities. In case of need, the subsidiaries utilise funds from the credit limit agreed by IHB for opening of letters of credit and issuance of bank guarantees to trade contractors.

Liquidity risk

Liquidity risk is the probability that the Group will be unable to meet all its obligations when they become due. Such risk may arise in case of delayed payments by clients. The Group companies elaborate financial planning to cover their expenses and current payables for a period of 90 days. Where possible, a deferred payment to suppliers and subcontractors is applied in combination with the above measures, but without affecting negatively their businesses. The Holding's management supports the Group companies' efforts towards attracting bank financing for investments and capacity utilization in the form of revolving credits for working capital in support of production. The attracted volumes of funds are maintained at pre-determined levels and approved only after their economic effectiveness for each company has been proven.

Currency risk

The Group companies are exposed to currency risk as they perform purchases and/or sales and/or receive loans in currencies, other than the functional currency. Aiming at reducing the Group's exposure to currency risk, the Holding's management is trying to minimise the payments in foreign currencies other than the functional currency in the operating activity of most companies. The goal is that transactions with customers and suppliers are agreed primarily in BGN and EUR for the companies the functional currency of which is the Bulgarian lev and in USD for the ship companies, as USD is the main currency, in which the ship business operates. Given the Bulgaria's jointing the ERM II exchange rate mechanism (the so-called euro area waiting room), there is a low risk that the EUR exchange rate agreed vis-à-vis the exchange rate of the Bulgarian lev in the event of entry into the Euro area to be different from the fixed one. The Group is currently exposed to currency risk from changes in the exchange rate of the US Dollar in relation to the free cash flows generated by maritime transport. The increase in the revenue share from foreign ships in total sales strengthens the impact of this risk on the financial results of the ship register.

Interest rate risk

The Group companies are exposed to interest rate risk in cases of financing, whose price includes a floating interest rate component plus a margin. In managing this risk, management seeks to either negotiate fixed-rate loans or to conclude hedging transactions aiming at minimizing the effects of the changes in the floating interest rate component. In 2024, the trend towards relatively high interest rates and tighter fiscal terms and conditions, driven by a tightening of central banks' policies as a result of high global inflation in 2022 and 2023, continues.

b. Systematic risks

The Holding and its subsidiaries are exposed to systematic risks relating to the market and macro-environment in which the companies operate. The risks arising from the growing number of military conflicts in various areas of the world intensify. These risks cannot be managed and controlled by the management team.

3. FUTURE PERSPECTIVES OF THE GROUP

3.1. MAIN TRENDS WITH REGARD TO THE ACTIVITY OF IHB

The main trends in the activity of IHB in the following years are expected to continue to be related to:

- Management of the portfolio companies;
- Investment in the portfolio companies in which IHB has long-term interests;
- Financing of companies in which the Holding participates
- Acquisition, assessment, and sale of shares in other companies;
- Establishment of new companies.

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

- Maritime transport;
- Shipbuilding and ship repairing, including ship design;
- Port activities;
- Machine building.

3.2. MAIN TRENDS FOR BUSINESS, IN WHICH THE GROUP COMPANIES OPERATE

a. Maritime Transport

At the end of 2023 and the first half of 2024, there has been a rise in freight rates driven by increased tonnage demand in certain segments and by an increase in sailing distances as a result of the Red Sea crisis and capacity constraints in the Panama Canal due to the record drought in 2023. The recovery of Panama Canal navigability that has begun should reduce freight rate levels, but the lack of a foreseeable horizon for resolution of the Red Sea conflict may offset this impact. For the Group's vessel segment, forecast lower tonnage demand growth and higher delivery rates for newly built ships could negatively impact freight rates in the second half of the year and early 2025. Escalating geopolitical tensions, linked to concerns from the EU and the US over cheap Chinese exports, could result in the introduction of trade barriers by the West and negatively impact global economic growth (or reduce bulk demand respectively).

The rate of cutting old ships is expected to remain relatively low. After several years of significantly reducing average sailing speed, the trend is to stabilise around current levels. Port congestion is also decreasing.

There has also been a significant shift in regulations that are expected to influence the direction of decarbonisation efforts significantly:

- The new FuelEU regulation aims to reduce greenhouse gas intensity by 2% by 2025 and 80% by 2050. These measures cover not only CO_2 emissions but also methane and nitrous oxide emissions throughout the life cycle of fuels used by the vessels. A further legal framework for net zero emissions is expected to be presented at the Marine Environment Protection Committee meeting in October 2024;
- The EU Emissions Trading Scheme: from January 2024, the European Union has included shipping in its Emissions Trading Scheme (ETS). Thus, shipowners are required to purchase credits for CO_2 emissions created on voyages between EU ports and half of their emissions on voyages between an EU port and a non-EU port. Shipowners are expected to be able to offset these costs in their charter contracts.
- Introducing new rules to combat adverse climate change (such as EEXI/CII/EU-ETS) is expected to continue to encourage low sailing speed and consequently put significant price pressure on the freight market.

For the first time in 2023, an annual operational efficiency indicator was calculated for each ship (Carbon Intensity Index, CII). The ships were rated C (the scale is A to E, with A being a better-performing ship). The rating thresholds will become more stringent until 2030. In 2024, work continues in line with the new regulations to improve operational efficiency.

The Group's ships sail with Bulgarian and foreign crews.

b. Ship building and ship repair

The ongoing tensions in the Gulf of Aden and the armed conflict in the Gaza Strip, which began in late 2023, have changed the direction of ship owners to carrying out repairs in the Mediterranean basin region due to increased cost and risk of moving to China. The first half of 2024 also saw a trend away from Turkish factories. All that positively impacted the orders of Bulyard Shipbuilding Industry, filling its capacity.

Since early 2024, there has been a decline in customer enquiries for the installation of ballast systems due to the expiry of the legal deadline for their installation. However, the increasing regulatory requirements for decarbonising ships are expected to open up other market niches and opportunities for ship repair plants.

The lower electricity price in 2024 has had a positive effect on the profitability of the Bullard Shipbuilding Industry. Disrupted supply chains continue to keep prices high for some materials.

c. Ship design

Yet low levels of shipbuilding are affecting the development of design services in several directions.

Tighter measures and rules to reduce the greenhouse effect of ships are reducing orders for new construction due to the need for more clarity at the moment on what ships will be sought and with what engines. The development of alternatives is still at an early stage. The demand for retrofit ballast design services is decreasing due to the approaching deadline for retrofitting the fleet in operation. The expanding military conflicts in different regions globally and the worsening economic environment are forcing shipowners to reconsider their investment intentions for new and the reconstruction and renovation of existing vessels. Despite the demand for cruise ships, including design services for them, orders are still weak due to the general uncertain environment fuelled by high interest rates.

On the other hand, trends are emerging, stimulating interest in design services. Activity in coastal areas is growing. Vessels are being sought for the fishing industry and general-purpose offshore vessels. Interest in specialised vessels for the construction and maintenance of offshore wind farms and in the conversion of ships – either changing their purpose or increasing their functionality- is expected to grow. There has also been a stirring of the market in the area of small "pilot" projects, financed primarily by various grant schemes, related to the design of alternative variants of ships with reduced harmful emissions (even in the absence of established market technologies for the replacement of ship fuels). It is expected that this trend will continue and that pure investment projects will emerge at some point.

The management of IHB Shipdesign monitors the trends in the environmental protection policy. It is planned to increase the share of ships that will be retrofitted to decarbonize and reduce carbon emissions.

d. Classification and certification

The Bulgarian Ship Register (BRS, the Register) reports a slight decrease in its revenue in the first quarter of 2024 compared to the same period of 2023. The same is mainly due to the postponement of dock surveys due to the high occupancy of ship repair yards and the inability to accept all vessels at the same time. However, there has been an increase in surveys of inland waterway vessels and small craft.

For the second half of 2024, the decline in revenue is forecast to be offset, with the Registry's growing network of partnerships with new flag administrations also expected to bring further positive effects. The BCR is also currently in the process of obtaining recognition from the flag administrations of Palau and Guinea-Bissau, which will expand the range of services offered and is a prerequisite for finding new clients.

Management's efforts are aimed at attracting new agents and shipowners and developing and offering additional services to supplement the main ones. In connection with the above, in January 2024, BRS expanded its agent's network in the territory of Tunisia. Negotiations are also underway for joint work with companies from Romania, Ukraine, Croatia and Egypt. BRS successfully passed the LRQA ("Lloyd Register") periodic audit for renewing the quality system certificate in compliance with ISO 9001:2015.

e. Port operations

Cereal throughput in the coming months of the year is expected to be higher than 2023 as a result of the good harvest in Bulgaria. Yields of almost all crops are up on the previous year due to relatively favourable weather conditions during the growing and maturing period. Farmers and grain traders are not expected to hold on to their stocks. However, ongoing geopolitical tensions and various trade agreements and policies could negatively impact grain trade. The first half of the year also saw a partial increase in metal cargoes at the expense of a decrease in ancillary services (e.g. packaging).

The port terminals of Odessos PBM and KRZ Port Burgas are part of the public transport ports in Varna and Burgas, whose development depends to a more significant extent on the economic situation in Bulgaria and in the countries of the Mediterranean and Black Sea regions.

The terminals in the regions of Varna and Burgas focus their efforts on building new capacities and storage facilities to improve and accelerate the processing of cereals and other cargo, strengthening the competitive environment. The two terminals of the Group are also gradually expanding their capabilities. In Odessos PBM, the port expansion is being implemented actively - the construction of a new quay wall and ensuring the necessary storage facilities. KRZ Port Burgas received a building permit for its project, and the construction activities began.

Bulport Logistics offers services to small and mid-sized vessels and yacht mooring, small vessels docking for repairs, and the rental of offices and areas for storage and production activities. The gradual abatement of the effects of the pandemic has increased the demand for production premises combined with office space, primarily from foreign companies.

The Company has focused on developing its warehousing and logistics activities by gradually renovating and improving the technical condition of existing buildings and sites, expanding and upgrading the area's infrastructure to meet changing demand trends. Increasing the volume of activities is expected to achieve a higher rate of effectiveness.

The Company is also working on expanding the services offered to customers. In front of the business building is a parking lot for 160 cars, a fast-charging station with a capacity of 50 kW and a two-connector fast-charging station with a capacity of 150 kW, available at all times of day or night. Heating for two buildings is solved.

f. Machine building

The downturn in the European economy combined with the long-term interest rate policies have a restrictive impact on the investment activity of the customers of ZMM Bulgaria Holding and its subsidiaries. Customers have been cautious in their purchases, and even the announced imminent price hike at the end of the 2024 half-year has not led to a visible increase in orders, although an increase in demand before a price change takes effect is standard behaviour for these contractors (stockpiling to maintain old prices). Despite the restrictive external environment, orders remain stable, with an increasing trend from Asian regions. Some European countries at the end of the half reached their 2023 levels.

The ability to use its own electricity generated by the machinery group's operating solar plants has a positive impact on the profitability of the product offering.

The machine-building industry faces several key challenges:

- Intense competition: the market is highly competitive, with several established international players seeking to gain a competitive edge through product innovation and partnerships. In Europe, ZMM Bulgaria Holding is the only manufacturer of universal lathes;
- Market preferences: high-quality alternatives to products from China are being sought, and customers increasingly demand customised and sophisticated components. Machine tools that offer flexibility, quick changeovers and easy programming attract growing investor interest;
- Increasing focus on sustainability: the industry is witnessing a shift to sustainable manufacturing practices. Machines optimising the use of materials, reducing energy consumption, and minimising waste are gaining market share.

4. Information on significant transactions concluded with related parties

Over the first six months of 2024, transactions of significant importance, except for the loan and guarantee contracts reported in the interim financial statements, were not concluded between IHB and related parties.

5. Electronic reference to the website of the Company, where internal information under Article 7 of Regulation (EU) 596/2014 on the circumstances that have occurred during the first six months is published

In the first six months of 2024, IHB published internal information on the Company's website - www.bulgariaholding.com in the "Press Centre" / "News" section (https://www.bulgariaholding.com/bg/news).

6. Information under Appendix 4 to Ordinance 2 on the initial and subsequent disclosure of information in public offerings of securities and admission of securities to trading on a regulated market

a. Change in individuals exercising control over the company

There are no charges in the persons exercising control over the Company as of 30 June 2024.

b. Initiation of insolvency proceedings in respect of the Company or its subsidiary, and all significant stages relating to the proceedings until the Company is declared insolvent

There is no such circumstance.

c. Conclusion or performance of significant transactions

In June 2024, the Group entered into an agreement with a seller: Sumec Marine Co.Ltd., China, and New Dayang Shipbuilding Co. Ltd., China, for the construction in China of three new bulk carriers with a capacity of 64,100 DWT for the IHB's fleet. The vessels will be acquired from the new subsidiaries, Vaya Ltd, Karia Ltd, and Ticha Ltd, Marshall Islands, which were incorporated especially for the purpose. The total investment is USD 104,350 thousand, with an expected delivery date of October 2027 for the first vessel and April and May 2028 for the following two, respectively. For the above transactions and the conclusion of the contracts, the subsidiaries have received prior approval from the Management Board of Industrial Holding Bulgaria in accordance with the requirements of the POSA.

In June and July 2024, Industrial Holding Bulgaria PLC issued three corporate guarantees to guarantee the fulfilment of the obligation of the subsidiaries in connection with the advance payments under the shipbuilding contracts. Approval was obtained from the General Meeting of the Company for the issuance of the guarantees pursuant to Article 114, Paragraph 1, Item 2 of the POSA.

The corporate guarantees secure all pre-delivery advances on the vessels totalling USD 52,175 thousand and any default interest due. The guarantees are valid until all advances (first to fourth) have been paid, which is expected to be made by the end of 2027. The obligation under the guarantees may also be terminated if the buyer terminates the contracts in accordance with the agreed terms and conditions. The value of the corporate guarantees is reduced by each payment due under the shipbuilding contracts. In early August 2024, the Group financed the first advance payment, totalling USD 19,113 thousand, with its own funds (after receipt of the counter bank guarantees from the seller).

d. Decision for conclusion, termination and cancellation of a joint venture contract.

There is no such circumstance.

e. Change in the Company's auditors and reasons for the change.

There is no such circumstance.

f. Initiation or termination of court or arbitration proceedings relating to liabilities or receivables of the Company or its subsidiary with a price of the claim of at least 10 per cent of the Company's equity.

For the reporting period, there are no initiated or terminated cases in which the price of the claim amounts to or exceeds 10 percent of the equity of Industrial Holding Bulgaria PLC.

g. Purchase of, sale of or pledge imposed on shares of commercial companies by the issuer or its subsidiary

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

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

h. Other circumstances deemed by the Company as being of importance to the investors in taking a decision.

None.

7. ADDITIONAL INFORMATION

a. Information about changes in the accounting policy during the reporting period, the underlying reasons, and how they affect the Company's financial performance and equity

The accounting policies of IHB have not been changed during the reporting period.

b. Information about changes, which have occurred within the group Industrial Holding Bulgaria PLC

On 8 May 2024 it was incorporated Ticha LTD, Marshal Islands, a subsidiary of KLVK AD.

On 3 June 2024 it was incorporated Vaya LTD, Marshal Islands, a subsidiary of KLVK AD.

c. Information about the results from organizational changes within IHB, such as transformation, selling of undertakings from a group of entities within the meaning of the Accountancy Act, in-kind contributions by the undertaking, renting out of property, long-term investments, suspension of operations

There was no such circumstance in the reporting period.

d. Opinion of the management body about the likelihood of realization of the published forecasts on the results of the current financial year, taking account of the results for the current six-month period, as well as information about the factors and circumstances, which will affect the achievement of the forecast results at least by the end of the current financial year

The Managing Board of Industrial Holding Bulgaria PLC has not published forecasts on the results in 2024.

e. Information about the persons holding directly and/or indirectly at least 5 per cent of th9e votes at the general meeting at the end of the six-month period, and changes in the votes held by the persons for the period from the beginning of the current financial year to the end of the reporting period

As of 30 June 2024, Industrial Holding Bulgaria PLC had information about the following shareholders holding more than 5% of the voting shares, as follows:

1. Bulls AD

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

As of 30 June 2024: 66,071,314 shares held directly, which is 68.25 % of the capital

2. DZH AS

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

As of 30 June 2024: 9,657,874 shares held directly, which is 9.98 % of the capital.

3. Daneta Angelova Zheleva

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

As of 30 June 2024: 41,044 shares held directly, which is 0.04 % of the capital, and through related parties the total of 9,658,520 shares, which is 9.98 % of the capital, or directly and through related parties 9,699,564, which is 10.02 % of the capital

4. Dimitar Georgiev Zhelev

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

As of 30 June 2024: 646 shares held directly, which is 0.0007 % of the capital, and through related parties the total of 9,698,918 shares, which is 10.02 % of the votes, and controlled through Bulls AD 66,071,314 shares, which is 68.25 % of the capital, or directly, through related parties, and through controlled parties 75,770,878, which is 78.27 % of the capital.

Dimitar Georgiev Zhelev exercises control over Bulls AD.

Dimitar Zhelev and Daneta Zheleva are spouses.

f. Information about the shares held by the members of the Supervisory and Management Boards of IHB as of 30 June 2024

	Acquired directly in the first six months of 2024	Transferred directly in the first six months of 2024	Acquired through related in the first six months of 2024	Transferred through related in the first six months of 2024	Number of shares held directly	Number of shares held through related parties	Total directly and through related parties	% of the votes at GMS held directly and through related parties
Members of SB								
DZH AD	-	-	-	-	9,657,874	-	9,657,874	9.98%
Snejana Hristova	-	-	-	-	250	500,258	500,508	0.52%
Konstantin Zografov	-	-	-	-	582	208	790	0.0008%
Members of MB								
Daneta Zheleva	-	-	-	-	41,044	9,658,520	9,699,564	10.02%
Borislav Gavrilov	-	-	-	-	208	-	208	0.0002%
Vasil Tsanev	-	-	-	-	-	-	-	-
Galina Deneva	-	-	-	-	-	-	-	-

g. Information about pending legal, administrative or arbitration procedures relating to liabilities or receivables at the rate of at least 10 per cent from the issuer's equity; if the total amount of the issuer's liabilities or receivables of all initiated proceedings exceeds 10 per cent of its equity, information shall be presented for each procedure separately

None.

h. Information about the loans originated by the issuer or by its subsidiaries, or by their subsidiaries, collateral provided or liabilities assumed in total to one person or its subsidiary, including to related parties, with indication of the persons' names or designation and UIC, the nature of the relationship between the issuer or its subsidiaries and the borrower, the amount of the outstanding principal, interest rate, date of contract conclusion, including additional agreements, deadline for repayment, amount of the assumed obligation, specific terms and conditions, other than those specified in this provision, as well as the purpose for which they have been granted, in case they have been concluded as targeted loans.

As of 30 June 2024, the current loans originated by IHB, as a lender, only to its subsidiaries (direct and indirect) were as follows:

- Loan originated to KLVK, UIC 130735957, under a Loan Contract dated 27 June 2024, interest of 2.1 % and maturity as of 31 December 2024. The loan principal was BGN 35 thousand on 30 June 2024;
- Loan originated to Bulyard Shipbuilding Industry, UIC 103862587, under a Novation contract dated 01 April 2018 and annexes thereto, interest of 4% and maturity as of 31 December 2025. The loan principal was BGN 4,085 thousand on 30 June 2024;
- Loan originated to Bulport Logistics AD, UIC 200421706, under a Loan Contract dated 01 June 2024, interest of 4 % and maturity as of 31 December 2027. The loan principal was BGN 4,227 thousand on 30 June 2024;
- Loan originated to Tirista Ltd, UIC n/a, under a Loan Contract dated 20 June 2024 and annexes thereto, interest of 4 % and maturity as of 31 August 2024. The loan principal was BGN 183 thousand on 30 June 2024;
- Loan originated to Karvuna Ltd, UIC n/a, under a Novation contract dated 01 January 2018 and annexes thereto, interest of 4 % and maturity as of 31 December 2025. The loan principal was BGN 1,317 thousand on 30 June 2024;
- Loan originated to Privat Engineering EAD, UIC 121664151, under a Loan Contract dated 27 June 2024 and annexes thereto, interest of 2.1 % and maturity as of 31 December 2024. The loan principal was BGN 35 thousand on 30 June 2024;
- Loan originated to Odria Ltd, UIC n/a, under a Novation contract dated 01 January 2018 and annexes thereto, interest of 4 % and maturity as of 01 January 2025. The loan principal was BGN 689 thousand on 30 June 2024;

- Loan originated to ZMM Holding, UIC 130489690, under a Loan Contract dated 23.04.2024 and annexes thereto, interest of 2.1 % and maturity as of 30.04.2025. The loan principal was BGN 563 thousand on 30 June 2024;
- Loan originated to ZMM Nova Zagora AD, UIC 119003196, under a Loan Contract dated 24.01.2023 and annexes thereto, interest of 2.1% and maturity as of 31 December 2027. The loan principal was BGN 4,180 thousand on 30 June 2024;
- Loan originated to Odessos PBM EAD, UIC 103930885, under a Loan Contract dated 08.03.2022 and annexes thereto, interest of 1.6 % and maturity as of 31 March 2029. The loan principal was BGN 19,558 thousand on 30 June 2024;
- Loan originated to Odessos PBM EAD, UIC 103930885, under a Loan Contract dated 04.04.2024 and annexes thereto, interest of 4 % and maturity as of 31 December 2026. The loan principal was BGN 4,851 thousand on 30 June 2024;
- Loan originated to Odessos PBM EAD, UIC 103930885, under a Loan Contract dated 25.04.2024 and annexes thereto, interest of 2.1 % and maturity as of 30 June 2025. The loan principal was BGN 256 thousand on 30 June 2024;
- Loan originated to Odessos PBM EAD, UIC 103930885, under a Loan Contract dated 23.05.2024 and annexes thereto, interest of 2.1 % and maturity as of 30 May 2028. The loan principal was BGN 1,739 thousand on 30 June 2024;
- Loan originated to ZMM Sliven AD, UIC 119002557, under a Loan Contract dated 05.12.2022 and annexes thereto, interest of 2.1 % and maturity as of 30 June 2025. The loan principal was BGN 765 thousand on 30 June 2024;
- Loan originated to ZMM Sliven AD, UIC 119002557, under a Loan Contract dated 27.03.2023, interest of 4 % and maturity as of 01 April 2029. The loan principal was BGN 798 thousand on 30 June 2024;
- Loan originated to Drazki Varna EAD, UIC 207442119, under a Loan Contract dated 04.07.2023, interest of 7.5 % and maturity as of 04 July 2033. The loan principal was BGN 51 thousand on 30 June 2024;
- Loan originated to Serdika EAD, UIC n/a, under a Loan Contract dated 14.06.2024, interest of 4 % and maturity as of 31 August 2024. The loan principal was BGN 726 thousand on 30 June 2024.

As of 30 June 2024, the current loans originated by IHB subsidiaries, as lenders, were only within the IHB Group and were as follows:

- Loan originated by Privat Engineering to its subsidiary Tirista Ltd, UIC n/a, under a Loan contract dated 25 February 2011 and annexes thereto, interest of 4% and maturity as of 31 December 2025. The loan principal was BGN 6,915 thousand as of 30 June 2024;
- Loan originated by Privat Engineering to its subsidiary Karvuna Ltd, UIC n/a, under a Novation contract dated 31 October 2013 and annexes thereto, interest of 4% and maturity as of 31 December 2025. The loan principal was BGN 10,320 thousand as of 30 June 2024;
- Loan originated by KLVK to its subsidiary Odria Ltd, UIC n/a, under a Loan contract dated 01 January 2013 and annexes thereto, interest of 4% and maturity on 01 January 2025. The loan principal was BGN 9,844 thousand as of 30 June 2024;
- Loan originated by KLVK to its subsidiary Serdika Ltd, UIC n/a, under an Agreement dated 12 March 2018 and annexes thereto, interest of 4% and maturity as of 31 December 2025. The loan principal was BGN 15,775 thousand as of 30 June 2024.

As of 30 June 2024, the principal due by:

- IHB on a loan received by a company exercising control amounted to BGN 3,250 thousand. The loan was extended at an interest rate of 2% and maturity in May 2028.

Daneta Zheleva	**Vladislava Zgureva**
Chief Executive Officer	Preparer

CONSOLIDATED SIX-MONTH FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the period ended 30 June 2024

in BGN'000	Notes	30 June 2024	30 June 2023
Revenue	7	61,345	63,324
Other operating income	8	1,599	1,366
		62,944	**64,690**
Changes in stock of work in progress and finished products	9	(83)	(170)
Capitalised expenses for self-constructed non-current assets	10	430	157
Expenses on materials	11	(17,299)	(16,251)
Expenses on hired services	12	(13,771)	(12,340)
Depreciation and amortisation expenses	17,18,32	(6,670)	(6,821)
Employee benefit expenses	13	(18,310)	(17,804)
Other operating expenses	14	(1,980)	(1,301)
Profit / (Loss) from operations		**5,261**	**10,160**
Finance income	15	2,842	664
Finance costs	15	(142)	(908)
Profit / (Loss) before taxes		**7,961**	**9,916**
Income tax expense	16	(962)	(711)
Profit / (Loss) for the year		**6,999**	**9,205**
Attributable to:			
Equity holders of the parent		6,936	9,037
Non-controlling interests		63	168
Basic net earnings /(loss) per share			
Basic net earnings /(loss) per share attributable to the owners of the parent company (BGN)	25	0.072	0.093

The notes on pages 28 to 65 form an integral part of these consolidated financial statements, authorised for issue with a resolution of the Management Board dated 28 August 2024.

Daneta Zheleva
Chief Executive Officer

Ivan Rashkov
Preparer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2023

in BGN'000	Notes	30 June 2024	30 June 2023
Profit for the year		6,999	9,205
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		3,569	(2,347)
Income tax effect		-	-
		3,569	(2,347)
Revaluation of debt instruments at fair value		252	-
Income tax effect		(25)	-
		227	-
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of taxes		3,796	(2,347)
Other comprehensive income / (loss) for the year, net of tax		3,796	(2,347)
Total comprehensive income for the year, net of tax		10,795	6,858
Attributable to:			
Equity holders of the parent		10,732	6,690
Non-controlling interests		63	168

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Daneta Zheleva — *Chief Executive Officer*

Ivan Rashkov — *Preparer*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 30 June 2024

in BGN'000	Notes	30 June 2024	31 December 2023
Assets			
Non-current assets			
Property, plant and equipment	17	335,167	321,843
Intangible assets	18	2,299	2,419
Goodwill	18	4,329	4,329
Investment property	19	15,241	15,241
Right-of-use assets	32	2,332	2,486
Debt instruments at fair value		9,415	-
Deferred tax assets	16	54	68
Other non-current receivables	22	64	78
Total non-current assets		**368,901**	**346,464**
Current assets			
Inventories	20	18,336	19,576
Trade and other receivables	22	11,624	8,179
Contract assets	22	908	1,079
Income tax receivable		34	183
Debt instruments at fair value		271	-
Cash and cash equivalents	23	48,298	56,938
Total current assets		**79,471**	**85,955**
TOTAL ASSETS		**448,372**	**432,419**

The notes on pages 28 to 65 form an integral part of these consolidated financial statements, authorised for issue with a resolution of the Management Board dated 28 August 2024.

Daneta Zheleva

Chief Executive Officer

Ivan Rashkov

Preparer

in BGN'000	Notes	30 June 2024	31 December 2023
Equity			
Share capital	24	96,808	96,808
Share premium	24	31,016	31,016
Other reserves	24	84,955	85,070
Foreign currency translation reserve	24	23,962	20,393
Reserve from revaluation of debt instruments	24	227	-
Retained earnings		156,453	149,388
Equity attributable to the equity holders of the parent company		**393,421**	**382,675**
Non-controlling interests		936	1,124
Total equity		**394,357**	**383,799**
Liabilities			
Non-current liabilities			
Interest-bearing bank loans	26	14,547	15,142
Loans from related parties	34	3,250	-
Lease liabilities	32	2,096	2,238
Other non-current liabilities	30	317	152
Government grants	27	1,061	1,115
Retirement benefit liabilities	29	956	1,080
Deferred tax liabilities	16	11,724	11,539
Total non-current liabilities		**33,951**	**31,266**
Current liabilities			
Interest-bearing bank loans	26	4,112	3,459
Loans from related parties	34	6	-
Lease liabilities	32	285	283
Trade and other payables	30	12,078	10,475
Contract liabilities	31	2,701	2,819
Provisions	28	10	10
Government grants	27	106	107
Income tax payable		766	201
Total current liabilities		**20,064**	**17,354**
Total liabilities		**54,015**	**48,620**
TOTAL EQUITY AND LIABILITIES		**448,372**	**432,419**

The notes on pages 28 to 65 form an integral part of these consolidated financial statements, authorised for issue with a resolution of the Management Board dated 28 August 2024.

Daneta Zheleva

Chief Executive Officer

Ivan Rashkov

Preparer

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2024

in BGN'000	Notes	30 June 2024	30 June 2023
Operating activities			
Proceeds from customers		60,955	65,397
Payments to suppliers		(35,811)	(34,321)
Personnel and social security payments		(18,358)	(18,206)
Income tax paid		(86)	(67)
Other taxes refunded / (paid)		2,175	2,339
Exchange rate differences, net		1,537	(867)
Other proceeds / (payments), net		202	(555)
Net cash flow from operating activities		**10,614**	**13,720**
Investing activity			
Payments for the acquisition of fixed assets and self-constructed fixed assets		(13,903)	(11,171)
Proceeds from sale of property, plant and equipment		6	57
Proceeds from interest on bank deposits		1,060	617
Purchase of debt instruments (US government securities)		(9,267)	(11,523)
Net cash flow used in investing activities		**(22,104)**	**(22,020)**
Financing activity			
Proceeds from loans		4,707	3,270
Payments on loans		(1,399)	(250)
Payments on lease liabilities	32	(140)	(145)
Dividends paid		(156)	(293)
Interest paid on loans		(136)	(75)
Interest paid on leases	32	(33)	(24)
Fees and commissions paid on loans and borrowings		(16)	(8)
Net cash flow used in financing activities		**2,827**	**2,475**
Net increase in cash and cash equivalents		(8,663)	(5,825)
Cash and cash equivalents as of 1 January	23	56,938	45,354
FX Foreign currency translation effects		23	(28)
Cash and cash equivalents as of 31 December	23	**48,298**	**39,501**

The notes on pages 28 to 65 form an integral part of these consolidated financial statements, authorised for issue with a resolution of the Management Board dated 28 August 2024.

Daneta Zheleva

Chief Executive Officer

Ivan Rashkov

Preparer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2023

in BGN'000	Attributable to the equity holders of the parent company									
	Share capital	Share premium	Statutory and additional reserves	Revaluation reserve	Reserve from FX translation of foreign operations	Reserve from revaluation of debt instruments	Retained earnings	Total	Non-controlling interest	Total equity
As of 1 January 2023	96,808	31,016	4,684	80,386	20,393	-	149,388	382,675	1,124	383,799
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	6,936	6,936	63	6,999
Other comprehensive income for the period	-	-	-	-	3,569	227	-	3,796	-	3,796
Total comprehensive income for the period	-	-	-	-	3,569	227	6,936	10,732	63	10,795
Transactions with shareholders recognised in equity										
Transfer between retained earnings and reserves	-	-	(125)	-	-	-	125	-	-	-
Dividends distributed	-	-	-	-	-	-	-	-	(237)	(237)
Acquisition of shares	-	-	5	5	-	-	4	14	(14)	-
Total transactions with shareholders	-	-	(120)	5	-	-	129	14	(251)	(237)
Transfer of revaluation reserve to retained earnings	-	-	-	-	-	-	-	-	-	-
As of 30 June 2024	96,808	31,016	4,564	80,391	23,962	227	156,453	393,421	936	394,357

The notes on pages 28 to 65 form an integral part of these consolidated financial statements, authorised for issue with a resolution of the Management Board dated 28 August 2024.

Daneta Zheleva
Chief Executive Officer

Ivan Rashkov
Preparer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 30 June 2023

in BGN'000	Attributable to the equity holders of the parent company									
	Share capital	Share premium	Statutory and additional reserves	Revaluation reserve	Reserve from FX translation of foreign operations	Reserve from revaluation of debt instruments	Retained earnings	Total	Non-controlling interest	Total equity
As of 1 January 2023	**96,808**	**31,016**	**4,957**	**79,858**	**24,607**	**-**	**142,576**	**379,822**	**1,405**	**381,227**
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	9,037	9,037	168	9,205
Other comprehensive income for the period	-	-	-	-	(2,347)	-	-	(2,347)	-	(2,347)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(2,347)**	**-**	**9,037**	**6,690**	**168**	**6,858**
Transactions with shareholders recognised in equity										
Transfer between retained earnings and reserves	-	-	(279)	-	-	-	279	-	-	-
Dividends distributed	-	-	-	-	-	-	-	-	(512)	(512)
Total transactions with shareholders	**-**	**-**	**(279)**	**-**	**-**	**-**	**279**	**-**	**(512)**	**(512)**
Transfer of revaluation reserve to retained earnings	-	-	-	-	-	-	-	-	-	-
As of 30 June 2023	**96,808**	**31,016**	**4,678**	**79,858**	**22,260**	**-**	**151,892**	**386,512**	**1,061**	**387,573**

The notes on pages 28 to 65 form an integral part of these consolidated financial statements, authorised for issue with a resolution of the Management Board dated 28 August 2024.

Daneta Zheleva

Chief Executive Officer

Ivan Rashkov

Preparer

NOTES

1. CORPORATE INFORMATION

The consolidated financial statements of Industrial Holding Bulgaria PLC (the Company or IHB AD) and its subsidiaries (the Group) for the period ended 30 June 2024 were authorized for issue with a resolution of the Management Board of 28 August 2024, which was approved by the Supervisory Board.

Industrial Holding Bulgaria PLC is a joint stock company (PLC), registered in the Republic of Bulgaria on Company File number 13081 / 1996 with headquarters and registered office at 79 Maria Luiza Boulevard, floor 3, Sofia, Republic of Bulgaria. During the reporting period there was no change in the name of the Company

The financial year of the Company ends on 31 December.

Initially, the Company has been established as a Privatisation Fund according to the Privatisation Funds Act under the company name Privatisation Fund Bulgaria PLC.

The General Meeting of Shareholders held on 27 February Going concern 1998 passed a decision to reorganize the activities of Privatisation Fund Bulgaria PLC into a holding company and to change its name from Privatisation Fund Bulgaria PLC to Industrial Holding Bulgaria PLC. The Company's registered capital amounts to BGN 96,808,417. The company has a two-tier system of governance, comprising Supervisory Board and Management Board.

As of 30 June 2024, Industrial Holding Bulgaria PLC has 9 direct subsidiaries (2023: 9), 13 indirect subsidiaries (31 December 2023: 11), and two indirect associates (31 December 2023: 2), and collectively referred to as "the Group". Further information is presented in Note 34.

The ultimate parent of Industrial Holding Bulgaria PLC is Bulls AD (Note 34).

The scope of activity of the Group includes production and trading activities in the area of heavy machinery, shipbuilding, ship repair and maritime transportation, port services, designer's services, maintenance and repair, and other services.

The operation of any of the Group entities is not limited to a certain period or by other termination condition.

The Company was registered with the Commercial Register at the Registry Agency under identification code 121631219. It was registered under VAT Act. The shares of Industrial Holding Bulgaria are listed on the Bulgarian Stock Exchange, Sofia.

The Company's management consists of its Management Board. Those charged with governance are represented by the Audit Committee and the Supervisory Board of the Company.

2. SUMMARISED INFORMATION ON THE ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis except for land, buildings and certain specialised equipment presented at a revalued amount, less accumulated depreciation, investment properties that are measured at fair value and derivative financial instruments that are measured at fair value.

The consolidated financial statements have been presented in Bulgarian lev (BGN) and all figures have been rounded to the nearest thousand Bulgarian lev (BGN'000), unless stated otherwise.

(i) Statement of compliance

The consolidated financial statements of Industrial Holding Bulgaria PLC have been prepared in accordance with International Financial Reporting Standards as endorsed in the European Union (IFRS, endorsed by EU). Reporting framework "IFRS as adopted by the EU" is essentially the defined national basis of accounting "IAS, as adopted by the EU", specified in the Accountancy Act and defined in paragraph 8 of its Additional provisions.

These interim consolidated financial statements do not contain all information and data that must be included in the annual financial statements and shall be read together with the annual financial statements of the Group for the year ended 31 December 2023, issued on 28 April 2024.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of Industrial Holding Bulgaria PLC and its subsidiaries as of 30 June 2024.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which Industrial Holding Bulgaria PLC obtains control, and continues to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated.

The profits and losses as well as each component of the other comprehensive income are allocated between the equity holders of the parent and the non-controlling interest in accordance with the respective effective equity interests. This allocation is performed even in the case when at the reporting date the profits and losses attributable to the non-controlling interest result in a deficit balance.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. If Industrial Holding Bulgaria PLC loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative currency translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit resulting from the transaction in profit or loss;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

Industrial Holding Bulgaria PLC has also prepared and presented separate financial statements for the period ended 30 June 2024 in which the investments in subsidiaries are presented at cost, net of accumulated impairment losses. The separate financial statements of Industrial Holding Bulgaria PLC were authorized for issue in accordance with a resolution of the Management Board on 27 July 2023, which was approved by the Supervisory Board.

(iii) Going concern

The consolidated financial statements of the Group are prepared on the going concern basis. For more detailed information, please refer to Note 3 Significant accounting judgments, estimates and assumptions, section "Judgments", sub-section "Going concern".

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value at the acquisition date and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed in the profit or loss for the period.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. That includes the acquiree separating embedded derivatives in host contracts.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value through profit and loss as of the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed an asset or liability, will be recognised in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* in profit or loss. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost, which is the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs because either the fair values to be assigned to the acquiree's identifiable assets and liabilities assumed or the amount of consideration transferred or the amount of any non-controlling interest can be determined only provisionally, the Group accounts for the combination using those provisional values. The Group recognises any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date and retrospectively from that date.

b) Investments in associates

The Group's investments in associates are accounted for under the equity method. An associate is an entity over which the Group exercises significant influence (the power to participate in the financial and operating policy decisions of that investee but not control them).

Under the equity method, the investment in an associate is recognised in the statement of financial position at cost, plus post-acquisition changes in the Group's share of net assets the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment.

The associates' profits or losses is the share of the Group in their net financial results (after taxes) from their operations, which share is recognised and presented in a separate line of the consolidated statement of profit or loss.

If changes have been recognised directly in the associate's other comprehensive income, the Group recognises its share of these changes and discloses them, where applicable, in other comprehensive income. Any unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

The associate's financial statements are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies into line with those of the Group.

After applying the equity method, the Group assesses whether it is necessary to recognise an additional loss due to impairment of the investment made. At the end of each financial year, the Group assesses whether any objective evidence indicates that impairment of its investment may have been incurred. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and the carrying amount and recognises this amount in the statement of profit or loss.

Upon losing significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the associate's carrying amount upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

c) Foreign currency translation

These consolidated financial statements are presented in BGN, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency, and items included in each entity's financial statements are measured using that functional currency.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the closing exchange rate published by Bulgarian National Bank, effective for the reporting date. All differences are taken to the statement of profit or loss except all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in equity.

Non-monetary items measured in terms of historical cost in a foreign currency are translated using the functional currency exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the functional currency exchange rates at the date when the fair value is determined. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss except for monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation, financial instruments held for sale or effective cash flow hedges, which are recognised in other comprehensive income.

(ii) Group companies

The assets and liabilities of foreign operations are translated into BGN at the rate of exchange prevailing at the reporting date and their statement of profit or loss are translated at the exchange rate prevailing on the reporting date and their statement of profit or loss are translated using the average annual exchange rate. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

d) Revenue from contracts with customers

The Group is in the business of machine building, production of metal structures, ship repair, marine transport, port services, design services, and other services. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. An exception is additional services provided to tenants, such as electricity, water supply, central heating, etc., in which the Group acts as an agent, as its performance obligation is to ensure a third party provides the service.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

In fulfilling its commitments on contracts with customers, the Group has identified the following performance obligations:

Production of machine tools, components and parts

Revenue from the sale of machine tools, components and parts for the machine-building and other industries is recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the finished products.

Transportation of cargo under voyage charter contracts

Revenue from the transportation of cargo under voyage charter contracts is recognised over time as the client simultaneously receives and consumes the benefits provided by the Group. The Group is using an input method based on the number of days that have passed after the date of transportation relative to the total number of estimated days of transportation (from the first loading port to the last unloading port) to measure progress towards complete satisfaction of the service.

Services relating to the operation of vessels under time charter contracts

Revenue from services relating to the operation of vessels under time charter contracts is recognised over time as the client simultaneously receives and consumes the benefits provided by the Group. The Group is using a method to report the products based on the time passed after the ship is rented to measure progress towards complete satisfaction of the service.

Repair and reconstruction of vessels

Revenue from the repair and reconstruction of vessels is recognised over time as the client simultaneously receives and consumes the benefits provided by the Group. The Group is using a method to report input resources based on the expenses incurred compared to the total amount of estimated expenses to measure progress towards complete satisfaction of the service.

Production of metal structures

Revenue from the production of metal structures is recognised over time as the client simultaneously receives and consumes the benefits provided by the Group. The Group is using a method to report resources used based on the costs incurred relative to the total amount of estimated costs to measure progress towards complete satisfaction of the performance obligation.

Design services

Revenue from design services in the ship-building area is recognised over time as the client simultaneously receives and consumes the benefits provided by the Group. For fixed-price contracts, the Group uses a method based on man-hours worked out relative to the total expected man-hours to the satisfaction of that performance obligation to assess the progress of the complete satisfaction of the performance obligation. For contracts based on an agreed fee per unit of time, the Group uses a method to report finished products based on the hours worked out as accepted by the client.

Freight handling

Revenue from freight handling is recognised over time as the client simultaneously receives and consumes the benefits provided by the Group. The Group is using a method to report finished products based on tonnage processed to measure progress towards complete satisfaction of the service.

Cargo storage

Revenue from cargo storage is recognised over time as the client simultaneously receives and consumes the benefits provided by the Group. The Group is using a method to report finished products based on the time of storage of cargo that has passed to measure progress towards complete satisfaction of the service.

Rent of a quay

Revenue from the rent of a quay is recognised over time as the client simultaneously receives and consumes the benefits provided by the Group. The Group uses a method to report finished products based on the time the ship is at the quay to measure progress towards complete satisfaction of the performance obligation.

Other services

Revenue from other services is recognised over time as the client simultaneously receives and consumes the benefits provided by the Group. For production services (relating primarily to processing of parts) and vessel supervision and inspection services, the Group is using a method to report resources based on the costs incurred relative to the total amount of estimated costs to measure progress towards complete satisfaction of the performance obligation. For administrative services (relating primarily to the provision of services to tenants) and for the sale of electricity, the Group uses a method to report finished products to measure progress towards complete satisfaction of the performance obligation. The Group acts as an agent in its performance obligations to provide administrative services.

In determining the price of its contracts with customers, the Group considers the effects of variable consideration, the existence of significant financing components and consideration payable to the customer.

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the consideration to which it will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in cumulative revenue recognised will not occur (reversal) when the associated uncertainty with the variable consideration is resolved.

Demurrage/dispatch under voyage charter contracts

The voyage charter contracts include clauses according to which the customer is required to pay demurrage or compensation for delaying a ship's loading or unloading time. And vice versa, if a vessel is loaded or unloaded for a time shorter than the agreed time, the Group must pay a dispatch to the client. The Group applies the expected value method to estimate the variable consideration for demurrage and dispatch. The Group then applies the requirements on constraining estimates of variable consideration and recognises either contract assets for the expected future demurrages or a refund liability for the expected future dispatches.

Volume rebates under freight handling contracts

The Group provides retrospective volume rebates to some customers once the quantity of cargo processed during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. The Group applies the most likely amount method to estimate the variable consideration for the expected future rebates. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

(ii) Significant financing component

Generally, the Group receives short-term advances under its contracts with customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

The Group also receives long-term advances from customers under specific contracts. The transaction price for such contracts is discounted, using the rate reflected in a separate financing transaction between the Group and its customers at contract inception to consider the significant financing component.

(iii) Consideration due to a customer

Under voyage charter contracts, the Group pays commissions that represent, in their substance, a discount from the service price. The consideration due to the customer is reported in a decrease in the transaction price.

Contract balances

Contract a*ssets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer.

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due) (Accounting policies for financial assets in Note 2.2g).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Costs to obtain a contract

The Group pays sales commission under certain contracts. The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense sales commissions (included under employee benefits and part of cost of sales) because the amortisation period of the asset that the Group otherwise would have used is one year or less.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration. See above for a description of the accounting policies applied to the variable consideration.

e) Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities with reference to corporate income taxes. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date in the countries in which the Group carries out its activities.

Current income tax is recognised directly in the equity (and not in the statement of profit or loss) where the tax relates to items that have been recognised directly in the equity. Management analyses the individual items of the tax return for which the applicable tax provisions are subject to interpretation and recognises provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes with reference to corporate income taxes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled entities, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled entities, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed by the Group at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset by the Group only if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Value added tax ("VAT")

Revenue, expenses and assets are recognised net of the amount of value added tax (VAT) except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

f) Employee benefits

Short-term employee benefits include salaries, interim and annual bonuses, social security contributions and paid annual leave of current employees expected to be settled wholly within 12 months after the end of the reporting period. They are recognised as an employee benefit expense in the profit or loss or included in the cost of an asset when service is rendered to the Group company and measured at the undiscounted amount of the expected cost of the benefit. Further details are provided in Note 29.

The Group companies operate a defined benefit plan arising from the requirement of the Bulgarian labour legislation to pay two or six gross monthly salaries to its employees upon retirement, depending on the length of their service. If an employee has worked for the same group of entities for 10 years during the last 20 years, the retirement benefit amounts to six gross monthly salaries upon retirement, otherwise, two gross monthly salaries. These retirement benefits are unfunded. The cost of providing benefits under the retirement benefit plan is determined by the Group using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods. Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date the restructuring-related costs are recognised.

Interest expense is calculated by applying the discount rate to the defined benefit liability. The changes in the latter (service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements) are recognised in the statement of profit or loss, within "Employee benefit expense".

g) Financial instruments - initial recognition and subsequent measurement

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. (Accounting policies in Note 2.2 d).

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Interest income

Interest income is recognised using the effective interest method that is the rate that discounts exactly the estimated future cash flows over the estimated useful life of the financial instrument, or a shorter period, where appropriate, to the carrying amount of the financial asset. Interest income is included in finance income in the statement of profit or loss.

The Group's financial assets at amortised cost includes trade and other receivables and loans to third parties.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statement of financial position) when:

The rights to receive cash flows from the asset have expired; or

The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided also in the Disposure of significant assumptions.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 180 days past due.

The Group considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest-bearing loans and borrowings, including loans from related parties and bank overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 26 and Note 34.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

h) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and the Group intends to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

i) Fair value measurement

The Group reports its financial instruments, such as, derivatives, as well as non-financial assets, such as investment properties and land, buildings and specialised equipment, at fair value at each reporting date. The Group does not report financial assets at fair value. The fair values of financial instruments measured at amortised cost are disclosed in Note 35.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised at fair value in the financial statements on a recurring basis, the Group determines whether transfer(s) have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management sets the policies and procedures to apply to both the regular fair value measurements, such as those of land, buildings and specialised equipment and investment property, and to ad hoc fair value measurements, such as those of assets held for sale/distribution to owners.

External independent appraisers are involved usually for valuation of significant assets, such as land, buildings and specialised equipment and investment property. Involvement of valuation experts is decided upon annually by the Group's management.

At the end of each financial year, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the major inputs applied in the latest valuation are verified by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks and the level of the fair value hierarchy as explained above.

j) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as interest rate swaps to hedge interest rate risks. These derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when their fair value is positive and as financial liabilities when it is negative.

Gains or losses arising from changes in derivatives' fair value are recognised directly in the profit or loss for the period, except for the effective portion of cash flow hedges, which are recognised in other comprehensive income.

For the purpose of hedge accounting, the hedges are classified as:

- A fair value hedge that is a hedge of the exposure to changes in fair values of a recognised asset or liability or an unrecognised firm commitment (other than a currency risk);
- A cash flow hedge that is a hedge of the exposure to variability in cash flows that are attributed to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or an unrecognised firm commitment;
- A hedge of net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges, which meet all criteria for hedge accounting, are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised directly in profit or loss for the period under the heading of operating expenses.

The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is transferred from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non- financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in the other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in other comprehensive income must be accounted for depending on the nature of the underlying transaction as described above.

k) Share capital

The share capital represents the par value of the shares issued and paid. The difference between the par value and the price paid for the shares is accounted for as share premium. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

l) Cash dividends and non-cash distribution to equity holders of the parent

The Group recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the profit or loss.

m) Treasury shares redeemed

Equity instruments that are redeemed (bought back) are recognised at fair value of the consideration transferred and deducted from equity. The Group does not recognise either profit or loss from the purchase, sale, issue or cancellation of its own equity instruments. Any difference between the par value and the fair value of the consideration transferred in the event of cancellation of redeemed shares is recognised in the decrease / increase in the premium reserve. Any difference between the par value and the fair value of the sale of own shares is recognised in the accumulated earnings / losses.

n) Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and the fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale with be withdrawn.

Management must be committed to the sale expected within one year from the date of the classification.

Property, plant and equipment or an intangible assets are/is not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is:

- A component of the Group that is a CGU or a group of CGUs
- Classified as held for sale or distribution or already disposed in such a way, or
- A major line of business or major geographical area

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of comprehensive income.

o) Property, plant and equipment

Property, plant and equipment (fixed tangible assets) is stated at cost or revaluation (see below), net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at range, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit or loss as incurred.

After initial recognition, land, buildings and certain specialised equipment are measured at revalued amount less accumulated depreciation and impairment losses recognised after the date of the revaluation. Valuations are performed frequently (usually at 5 year interval) to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. When their fair value is significantly changed at shorter time range revaluation shall be performed more frequently. The most recent valuation of lands, buildings and certain specialised equipment is performed as of 31 December 2018 by independent appraisers.

Vehicles and other fixed assets, including the vessels and assets under construction are measured at cost, less accumulated depreciation and impairment losses.

The increase in the carrying amount of an asset as a result of a revaluation is recognised as a revaluation reserve in the other comprehensive income. However, the revaluation surplus is recognised in the statement of profit or loss insofar as it restores a revaluation impairment of the same asset recognised as an expense in the statement of profit or loss. Decrease in the carrying amount of an asset as a result of revaluation is recognised as an expense in the statement of profit or loss except to the extent that it offsets an existing revaluation reserve relating to that asset. Accumulated depreciation at the revaluation date is derecognised at the expense of a decrease in the asset's carrying amount.

The asset's value thus found is adjusted to its fair value. When the asset is written off, the revaluation reserve associated with it is transferred to the accumulated profits and losses.

Self-constructed assets

The cost of self-constructed assets includes the cost of materials, direct labour and the corresponding portion of indirect production costs; costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating; an initial estimate of the costs of dismantling and relocating the asset, and of restoring the site on which the asset is located and capitalised interest costs.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Useful lives
Buildings	7 – 79 years
Specialised equipment	5 – 50 years
Plant and equipment	2 – 60 years
Vehicles (incl. ships)	3 – 25 years
Ship repairs	2 – 5 years
Furniture and fittings	2 – 15 years
Leasehold improvements	2 – 3 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset, if any) is included in the statement of profit or loss when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if the expectations differ from the previous accounting estimates.

p) Investment property

Investment property is initially measured at cost, which includes transaction costs. The cost of replacing parts of an investment property is included in its carrying amount when these costs are incurred provided that they meet the criteria for recognising investment property; costs for ongoing maintenance of investment property are excluded from the carrying amount.

Subsequent to initial recognition, investment properties are measured at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of profit or loss in the period in which they arise.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The profit or loss from disposal of the asset is recognised in the statement of profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

q) Lease

At the commencement date of the lease, which is the earlier of the two dates – the date of the lease agreement and the date of the parties are committed to the main conditions of the lease contract, the Group conducts an analysis and evaluates whether a contract is or contains a lease agreement. A contract is or contains a lease if it conveys the right to control the use of an asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases (those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) of low-value assets (such as tablets, personal computers, telephone sets, office equipment, etc.).

The Group has not used the practical expedients included in IFRS 16, which allows the lessee for each class of identified assets not to separate non-lease components from lease components, but instead to consider each lease component and related non-lease components as a separate lease component. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration under the contract based on the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease, i.e. the date the underlying asset is available to the Group for use.

Right-of-use assets are presented in the statement of financial position at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes:

- the amount of the initial estimate of lease liabilities;
- lease payments made at or before the commencement date, less any lease incentives received;
- initial direct costs to be incurred by the Group as a lessee;
- costs of recovery to be made by the Group for dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated by the Group on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group at the end of the lease term, depreciation is calculated using the estimated useful life of the asset. Depreciation begins to accrue from the date of commencement of the lease and is recognised in profit or loss as "depreciation expenses".

The depreciation periods by type of assets subject to lease contracts are as follows:

Assets	Useful life
Buildings and constructions	10 years
Plant and equipment	2 years

The Group has elected to apply the cost model for all its right-of-use assets, except for those that meet the definition of investment property under IAS 40 Investment property, to which it applies the fair value model.
The right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets.

Lease liabilities

At the commencement date the Group recognises in its statement of financial position a lease liability measured at the present value of the lease payments that are not paid at this date. They include:

- fixed lease payments (including in-substance fixed lease payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the exercise price of the purchase option, if the Group is reasonably certain to exercise this option;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease;
- the amount expected to be payable by the Group under residual value guarantees.

Variable lease payments that do not depend on an index or a rate but are dependent on performance or use of the underlying asset, are not included in the measurement of the lease liability and the right-of-use asset. They are recognised as current expenses in the period when the event or circumstance resulting in these payments arises and are stated within the profit and loss for the year.

Lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the Group's incremental borrowing rate, which it would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments (instalments) contain a certain ratio of the finance cost (interest) and the respective portion of the lease liability (principal). Interest expenses on the lease are presented within profit or loss for the year over the lease period on a periodic basis, so as to achieve constant periodic rate of interest on the remaining balance of the lease liability and are presented as "finance costs".

The Group subsequently measures the lease liability by:

- increasing the carrying amount to reflect the interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made;
- remeasuring the carrying amount to reflect any reassessments or lease modifications, or to reflect the adjusted fixed essentially lease payments.
- The Group remeasures its lease liabilities whenever:
- the lease term has changes or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a residual value guarantee, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged (original) discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

The Group recognises the amount of the reassessment of the lease liability as an adjustment of the right-of-use asset or within the profit or loss, if the carrying amount of the right-of-use asset has been written down to zero.

Short-term leases and leases of low-value assets

The Group has applied the exemption from recognition of right-of-use assets and lease liabilities under IFRS 16 for short-term leases of and for low-value underlying assets. Payments related to these are recognised as expenses within profit or loss on a straight-line basis over the lease term.

Leases of intangible assets

The Group has elected not to apply the provisions of IFRS 16 with respect to leases of intangible assets and they are accounted for in accordance with IAS 38 Intangible Assets.

The Group as a lessor

Leases where the Group retains substantially all significant risks and economic benefits from the ownership of the underlying asset are classified as operating leases.

When the Group is an intermediate lessor it accounts for the head lease and the sublease as two separate contracts. If the head lease is a short-term lease the sublease is classified as an operating lease. In all other cases the sublease is classified as a finance or operating lease depending on the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the leased asset and are recognised as an expense on a straight-line basis over the lease term. When the contract contains both lease and non-lease components, the Group applies IFRS 15 to allocate the total consideration under the contract between the separate components.

The underlying asset subject of the lease remains and is presented in the Group's statement of financial position.

r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

s) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The Group assesses for each individual intangible asset whether its useful life is finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with finite useful lives are amortised on a straight-line basis over the estimated useful life of the asset as follows:

	Useful life
Patents, licences and trademarks	2 – 20 years
Software	2 – 10 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

t) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

- Materials - purchase cost calculated using the weighted average cost method;
- Finished products and work-in-progress - cost of direct materials, labour and production overheads, relatively-fixed expenses allocated on the basis of the accrued direct labour costs or manufactured quantity of products.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

u) Impairment of non-financial assets

The Group assesses whether there are indications that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's or cash-generating unit's (CGU) recoverable amount.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less asset's or CGU's costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In this case, the recoverable amount of the CGU to which the asset belongs is determined.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing an asset's/CGU's value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The fair value less the costs to sell of an asset / CGU is determined on the basis of recent market transactions, if any. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or available fair value indicators for the fair value of an asset or a cash generating unit.

The calculations of the impairment are based on detailed budgets and forecast calculations that are prepared separately for each CGU where to individual assets have been allocated. These budgets and forecast calculations usually cover a term of five years. For longer periods, a long-term growth index is calculated and applied to future cash flows after the fifth year.

Impairment losses are recognised in the statement of profit or loss as other expenses, or as a separate line item, when significant except for assets previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

The Group assesses whether there are indications that the impairment loss on an asset/CGU other than goodwill recognised in prior periods may no longer exist or may have decreased. If such indications exist, the Group determines the recoverable amount of the asset or cash-generating unit. An impairment loss is reversed only when there has been a change in the estimates used to determine the recoverable amount of the asset after recognition of the last impairment loss. The reversal of an impairment loss is limited so that the carrying amount of the asset does not exceed its recoverable amount nor exceed the carrying amount (after deduction of amortisation) that would have been determined had no impairment loss been recognised for asset in previous years. The reversal of an impairment loss is recognised in the statement of profit or loss unless the asset is carried at revalued amount in which case the reversal is treated as a revaluation surplus.

The following criteria are applied by the Group in assessing impairment of specific assets:

Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

v) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

w) Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events when it is probable that an outflow of resources containing economic benefits will be required and when a reliable estimate of the cost of the obligation can be made. When the Group expects that some or all of the expenses required to settle the provision will be recovered, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when it is practically certain that these costs will be recovered. Provisioning costs are presented in the income statement net of the amount of reimbursement. When the effect of time differences in the value of money is significant, provisions are discounted using a current pre-tax discounted rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision as a result of the elapsed time is presented as finance costs.

Provision for warranty service

Warranty provisions are recognised when the relevant products and services are realised. The provision is based on the historical information about the guarantees lodged, taking into account the probability of incurring future such costs.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

x) Basic net earnings per share

Basic net earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

y) Government financing (donations)

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the underlying asset.

z) Segment reporting

An operating segment is a separate business area (distinguishable component) of the Group that is the bearer of various business benefits and risks and the results of which are regularly evaluated by management. Decision-making on the operational activity of the segments and on the allocation of the Group's resources among them is on the basis of the financial and other relevant information prepared for each segment specifically.

The Group's operating segments are separated according to the main business areas in which they operate, and are presented in Note 5.

5. Operating segments

The Group reports on the following operating segments (business sectors):

- Maritime transport: Group's ships operation to transport cargo by sea.
- Port Operations: port services relating to processing and storage of cargo, and servicing the vessels at the time of loading and unloading operations.
- Machine building: production and sale of machine tools, components and parts for the machine-building and other industries; cast metals.
- Ship building and ship repair: repairs and reconstruction of vessels; production of non-standard metal constructions for the needs of ship-building, construction and energy industries; ship design.

Other activities: consulting services, supervision and inspection of vessels, and other activities.

6. Acquisition of non-controlling interest and effects of discontinued operations

Acquisition/incorporation of subsidiaries in the first six months of 2024 and 2023

In the first six months of 2024, the Group incorporated two new subsidiaries:

- Vaya LTD with a capital of USD 50 thousand, in which it acquired 100% of the shares;
- Ticha LTD with a capital of USD 50 thousand, in which it acquired 100% of the shares.

In the first six months of 2023, the Group did not acquire or incorporate new companies.

Acquisition of additional interests in the first six months of 2024 and 2023

In April 2024, the General Meeting of Shareholders of ZMM Nova Zagora AD took a decision to increase the entity's capital. In this procedure, new shares were subscribed only by the parent company, ZMM Bulgaria Holding EAD, while the other shareholders waived their rights. As a result, the share of the Group in ZMM Nova Zagora AD grew from 99.45% to 99.66%, with the effects from the acquisition being presented in the following table:

in BGN'000	30 June 2023
Transfer to Revaluation reserve	5
Transfer to Statutory and Additional Reserves	5
Carrying amount of the additional shareholding in ZMM Nova Zagora AD	(14)
Difference recognised in retained earnings	(4)

During the comparable period of 2023, the Group did not acquire additional interests.

7. Revenue

in BGN'000	30 June 2024	30 June 2023
Revenue from production of machine tools, components and parts	16,657	20,489
Revenue from cargo transportation under voyage charter contracts	3,835	5,050
Revenue from time charter contracts	12,242	13,154
Revenue from repair and reconstruction of vessels	19,929	15,083
Revenue from design services	1,485	1,808
Revenue from cargo handling	3,723	4,235
Revenue from cargo storage	479	618
Revenue from quay rent	445	451
Revenue from property rentals	1,515	1,202
Revenue from other services	1,035	1,234
	61,345	63,324

Pursuant to IFRS 16 Leases, the Group has conducted an analysis and found that the time charter contracts for ships contain a lease and a non-lease component, as the lease component is the charter of the vessel and the non-lease component is the service of its operation during the charter. The breakdown between the two revenue components from these contracts is as follows:

in BGN'000	30 June 2024	30 June 2023
Revenue from charter of vessels under time charter contracts	5,351	7,422
Revenue from services on operation of vessels under time charter contracts	6,891	5,732
	12,242	13,154

The Group's revenue under the applicable standards is disclosed in the following table:

in BGN'000	30 June 2024	30 June 2023
Revenue from contracts with customers	54,479	54,700
Rental income	6,866	8,624
	61,345	63,324

Set out below is the Group's revenue by segments for the first six months of 2024:

in BGN'000	Maritime Transport	Ship Building and Ship Repair	Port Operations	Machine Building	Other activities	Total
Revenue from production of machine tools, components and parts	-	-	-	16,657	-	16,657
Revenue from cargo transportation under voyage charter contracts	3,835	-	-	-	-	3,835
Revenue from time charter contracts	12,242	-	-	-	-	12,242
Revenue from repair and reconstruction of vessels	-	19,929	-	-	-	19,929
Revenue from design services	-	1,485	-	-	-	1,485
Revenue from cargo handling	-	-	3,723	-	-	3,723
Revenue from cargo storage	-	-	479	-	-	479
Revenue from quay rent	-	4	441	-	-	445
Revenue from property rentals	-	177	1,317	21	-	1,515
Revenue from other services	79	56	148	136	616	1,035
	16,156	21,651	6,108	16,814	616	61,345
Revenue from contracts with customers	10,805	21,474	4,791	16,793	616	54,479
Rental income	5,351	177	1,317	21	-	6,866

Set out below is the Group's revenue by segments for the first six months of 2023:

in BGN'000	Maritime Transport	Ship Building and Ship Repair	Port Operations	Machine Building	Other activities	Total
Revenue from production of machine tools, components and parts	-	-	-	20,489	-	20,489
Revenue from cargo transportation under voyage charter contracts	5,050	-	-	-	-	5,050
Revenue from time charter contracts	13,154	-	-	-	-	13,154
Revenue from repair and reconstruction of vessels	-	15,083	-	-	-	15,083
Revenue from design services	-	1,808	-	-	-	1,808
Revenue from cargo handling	-	-	4,235	-	-	4,235
Revenue from cargo storage	-	-	618	-	-	618
Revenue from quay rent	-	-	451	-	-	451
Revenue from property rentals	-	671	522	9	-	1,202
Revenue from other services	78	200	58	217	681	1,234
	18,282	**17,762**	**5,884**	**20,715**	**681**	**63,324**
Revenue from contracts with customers	10,860	17,091	5,362	20,706	681	54,700
Rental income	7,422	671	522	9	-	8,624

Contract balances

in BGN'000	30 June 2024	30 June 2023
Trade receivables	6,570	5,874
Trade receivables related parties	7	10
Contract assets	908	1,068
Contract liabilities	2,701	2,880

Contract assets are recognised initially on the basis of the satisfied performance obligations as the receipt of the consideration depends also on other conditions (completion of activities), besides on the expiry of a certain period of time. Upon completion of the work and its acceptance by the customer, the amounts recognised as contract assets are transformed in trade receivables.

The contract liabilities include short-term advance payments.

According to paragraph 116 of IFRS 15, the Group has recognised revenue of BGN 1,272 thousand (2023: BGN 3,055 thousand), which has been included in the balance of advances received under a contract at the beginning of the period.

Performance obligations

Information about the Group's performance obligations are summarised below:

Production of machine tools, components and parts

The performance obligation to manufacture machine tools, components and parts is satisfied upon delivery of the respective machine tool, component or part to the customer. Usually, the customer pays part of the price due in advance, and the final payment is made from 0 to 30 days after the delivery.

Cargo transportation under voyage charter contracts

The performance obligation to transport cargo under voyage charter contracts is satisfied by considering each day of cargo carriage, which has passed. The payment is due generally from 0 to 30 days upon loading.

Services on operation of vessels under time charter contracts

The obligation to operate vessels under time charter contracts is satisfied by considering each day the vessel is chartered. The payment is due generally in advance, in every 15 or 30 days.

Repair and reconstruction of vessels

The performance obligation to repair and reconstruct vessels is satisfied upon acceptance of each activity by the customer. The payment is due generally from 0 to 180 days upon completion of the repair.

Production of metal structures

The performance obligation for production of metal structures is satisfied over time based on the resources consumed. The payment is due generally from 0 to 30 days upon acceptance of the work.

Design services

The performance obligation to provide design services is satisfied over time based on the resources consumed (man-hours). The payment is due generally from 0 to 30 days upon acceptance of the work.

Cargo handling

The performance obligation to process cargo is satisfied by considering every quantity of cargo being processed. The payment is due generally from 0 to 30 days upon completion of the processing.

Cargo storage

The performance obligation to storage cargo is satisfied by considering each day, which has passed, during which the cargo has been stored within the territory of the ports. The payment is due generally from 0 to 30 days upon acceptance of the work.

Quay rent

The performance obligation to pay a quay rent is satisfied by considering each day, which has passed, during which the ship is moored to the Group's quays. The payment is due generally from 0 to 30 days upon expiry of the monthly period or after the ship is no longer moored to the quay.

Other services

The performance obligation with respect to other production services and vessel supervision and inspection services is satisfied over time based on the resources consumed. The payment is due generally from 0 to 30 days upon acceptance of the work. The performance obligation with respect to administrative services is satisfied over time, based on the resources consumed by the customer. Payment is due generally from 0 to 30 days upon expiry of the monthly period or termination of the rent. . The performance obligation with respect to the sale of electricity is satisfied over time on the basis of the quantities of electricity consumed by the customer. Payment is due generally from 0 to 30 days after the end of the monthly period.

As a practical expedient, it is not necessary for the Group to disclose information under paragraph 120 of IFRS 15 regarding a performance obligation, as the contracts with customers for the sale of goods and services are initially expected to mature within 1 year.

8. OTHER OPERATING INCOME

in BGN'000	30 June 2024	30 June 2023
Income from government financing (Note 27)	54	212
Gain on sale of fixed assets	6	26
Gain on sale of materials and scrap	954	984
Reversed impairment, net	2	16
Other income	583	128
	1,599	1,366

Income from financing reported in the first six months of 2023 consists mainly income of BGN 158 thousand received under the Program for compensating the costs of electricity of non-residential end consumers.

9. CHANGE IN STOCK OF WORK IN PROGRESS AND FINISHED PRODUCTS

in BGN'000	30 June 2024	30 June 2023
ZMM Sliven AD	99	(166)
IHB Metal Castings EAD	32	(75)
ZMM Nova Zagora AD	(214)	71
	(83)	(170)

10. Self-constructed assets in progress

in BGN'000	30 June 2024	30 June 2023
Bulyard Shipbuilding Industry EAD	301	146
Odessos PBM EAD	129	11
	430	**157**

These expenses relate primarily to capitalised assets repair and maintenance expenses incurred by the Group companies themselves and / or among the Group companies.

11. Expenses on materials

in BGN'000	30 June 2024	30 June 2023
Raw materials	(8,673)	(9,821)
Fuel for ships	(3,962)	(1,514)
Electric energy	(1,126)	(1,462)
Auxiliary materials	(1,715)	(1,851)
Spare parts	(1,307)	(1,159)
Other expenses	(516)	(444)
	(17,299)	**(16,251)**

12. Expenses on hired services

in BGN'000	30 June 2024	30 June 2023
Services from subcontractors	(6,659)	(6,816)
Intermediary services	(2,263)	(439)
Port expenses	(971)	(1,358)
Insurances	(834)	(797)
Repairs	(589)	(478)
Security	(559)	(484)
Software maintenance on subscription	(196)	(336)
Civil contracts	(131)	(132)
Legal services	(60)	(57)
Other expenses	(1,509)	(1,443)
	(13,771)	**(12,340)**

13. Employee benefit expenses

in BGN'000	30 June 2024	30 June 2023
Wages and salaries	(14,136)	(13,758)
Compulsory social security contributions	(2,205)	(2,091)
Management contracts	(1,050)	(1,053)
Compulsory social and health security contributions on management contracts	(60)	(55)
Other employee benefit expenses	(859)	(847)
	(18,310)	**(17,804)**

The average number of staff of the Group for the period January 2024 – June 2024 is 957 employees (January 2023 – June 2023: 1,028 employees).

14. OTHER OPERATING EXPENSES

in BGN'000	30 June 2024	30 June 2023
Expenses on business trips and replacement of crew	(808)	(644)
Local taxes and charges, tax on expenses	(351)	(393)
Impairment loss, net	(232)	-
Expenses on court proceedings, notarial and other fees	(38)	(19)
Scraping and liquidation of fixed tangible assets	(1)	(85)
Other expenses	(550)	(160)
	(1,980)	(1,301)

15. FINANCE INCOME AND FINANCE COSTS

in BGN'000	30 June 2024	30 June 2023
Foreign currency gains, net	1,581	-
Interest income (Note 15.1.)	1,261	664
Finance income	2,842	664

In BGN'000	30 June 2024	30 June 2023
Interest expenses (Note 15.2.)	(65)	(43)
Foreign currency losses, net	-	(794)
Other finance costs	(77)	(71)
Finance costs	(142)	(908)

15.1. INTEREST INCOME

in BGN'000	30 June 2024	30 June 2023
Interest income on bank deposits – related parties	826	499
Interest income on bank deposits – unrelated parties	116	85
Interest income on government securities	73	80
Other interest income	246	-
	1,261	664

15.2. INTEREST EXPENSES

in BGN'000	30 June 2024	30 June 2023
Interest expenses on bank loans received	(26)	(5)
Interest expenses on loans from related parties (Note 34)	(6)	(12)
Interest expenses on interest swap	-	-
Interest expenses on lease liabilities (Note 32)	(33)	(26)
	(65)	(43)

Interest expenses on bank loans in the amount of BGN 110 thousand were capitalised to the value of the assets of the Port Operations segment (in the first six months of 2023: BGN 70 thousand).

16. INCOME TAX

The main components of income tax expense relating to the corporate income tax for the period ended 30 June 2024 and 30 June 2023 include:

in BGN'000	30 June 2024	30 June 2023
Current income tax charge	(789)	(495)
Deferred tax relating to origination and reversal of temporary differences	(173)	(216)
Income tax expense recognised in the consolidated income statement	(962)	(711)

17. Property, plant and equipment

in BGN'000	Land and building	Plant and equipment	Other fixed assets	Ships	FTAs in progress	Total
Book value as of 1 January 2023	139,530	81,463	10,592	132,402	13,530	377,517
Depreciation as of 1 January 2023	(3,887)	(35,218)	(8,044)	(9,389)	-	(56,538)
Net book value as of 1 January 2023	**135,643**	**46,245**	**2,548**	**123,013**	**13,530**	**320,979**
Book value as of 1 January 2023	**139,530**	**81,463**	**10,592**	**132,402**	**13,530**	**377,517**
Book value of acquired assets	137	4,895	502	-	16,000	21,534
Book value of derecognised assets	(919)	(682)	(582)	(10,222)	-	(12,405)
Transfers from costs of acquisition	655	2,070	546	805	(4,076)	-
Transfers among classes	(308)	(82)	(14)	-	404	-
Transfers from/to investment property	(145)	-	-	-	(65)	(210)
Reversal/(Impairment) of assets recognised in other comprehensive income	1,484	14	-	-	-	1,498
(Decrease)/Increase in book value due to (impairment)/reversal of impairment of assets, net	93	1	-	(2,871)	-	(2,777)
Derecognised book value against accumulated depreciation due to revaluation/(impairment) of assets	(4,819)	(1,528)	-	(4,501)	-	(10,848)
Derecognised book value against accumulated depreciation due to transfers to investment property	(15)	-	-	-	-	(15)
Effect of foreign currency translation of foreign operations	-	(8)	-	(4,239)	(10)	(4,257)
Book value as of 31 December 2023	**135,693**	**86,143**	**11,044**	**111,374**	**25,783**	**370,037**
Depreciation as of 1 January 2023	**(3,887)**	**(35,218)**	**(8,044)**	**(9,389)**	**-**	**(56,538)**
Depreciation charges for the period	(1,136)	(3,244)	(573)	(8,297)	-	(13,250)
Depreciation of derecognised assets	192	374	566	9,393	-	10,525
Transfers among classes	(3)	(11)	14	-	-	-
Derecognised accumulated depreciation due to revaluation / (impairment) of assets	4,819	1,528	-	4,501	-	10,848
Derecognised accumulated depreciation due to transfers to investment property	15	-	-	-	-	15
Effect of foreign currency translation of foreign operations	-	2	-	204	-	206
Depreciation as of 31 December 2023	**-**	**(36,569)**	**(8,037)**	**(3,588)**	**-**	**(48,194)**
Net book value as of 31 December 2023	**135,693**	**49,574**	**3,007**	**107,786**	**25,783**	**321,843**

in BGN'000	Land and building	Plant and equipment	Other fixed assets	Ships	FTAs in progress	Total
Book value as of 1 January 2024	135,693	86,143	11,044	111,374	25,783	370,037
Book value of acquired assets	-	1,515	106	-	14,654	16,275
Book value of derecognised assets	-	(10)	(64)	-	-	(74)
Transfers from costs of acquisition	-	791	1,863	-	(2,654)	-
Effect of foreign currency translation of foreign operations	-	7	-	3,590	-	3,597
Book value as of 30 June 2024	135,693	88,446	12,949	114,964	37,783	389,835
Depreciation as of 1 January 2023	-	(36,569)	(8,037)	(3,588)	-	(48,194)
Depreciation charges for the period	(550)	(1,740)	(348)	(3,755)	-	(6,393)
Depreciation of derecognised assets	-	9	64	-	-	73
Effect of foreign currency translation of foreign operations	-	(3)	-	(151)	-	(154)
Book value as of 30 June 2024	(550)	(38,303)	(8,321)	(7,494)	-	(54,668)
Net book value as of 30 June 2024	135,143	50,143	4,628	107,470	37,783	335,167

Pledged assets

In relation to issuing bank guarantees and/or letters of credit in favour of suppliers and utilised bank loans, mortgages were registered or registered pledges were established on items of property, plant, equipment with a total carrying amount of BGN 42,409 thousand as of 30 June 2024 (2023: BGN 45,898 thousand) (Note 26).

Property, plant and equipment under construction

Assets under construction consist of assets not yet commissioned, as well as costs of major repairs of existing assets that were not completed as of 30 June 2024. Segment breakdowns are as follows:

- Assets under construction in the Maritime Transport segment amounting to BGN 2 thousand (2023: BGN 2 thousand);
- Assets under construction in the Shipbuilding and Ship Repair segment amounting to BGN 2,044 thousand (2023: BGN 1,002 thousand) - comprise primarily expenses on construction of buildings and equipment, and repairs of existing assets;
- Assets under construction in the Port Operations segment amounting to BGN 29,463 thousand (2023: BGN 15,515 thousand) – comprise primarily expenses on port extension projects;
- Assets under construction in the Machine Building segment amounting to BGN 6,274 thousand (2023: BGN 6,017 thousand) – comprise primarily expenses on a solar park construction and repairs of buildings;
- Assets under construction in the Others segment amounting to BGN 0 thousand (2023: BGN 58 thousand).

Capitalised borrowing costs

In the first six months of 2024, interest on bank loans of BGN 110 thousand was capitalised to the value of the assets of the Port Operations segment (2023: BGN 146 thousand).

18. INTANGIBLE ASSETS

in BGN'000	Patents and trademarks	Software	Other intangible assets	Total
Carrying amount as of 1 January 2023	1,785	325	231	2,341
Carrying amount as of 31 December 2023	1,711	312	396	2,419
Carrying amount as of 30 June 2024	1,677	273	349	2,299

Amortisation charges on intangible assets for the year ended 30 June 2024 amount to BGN 123 thousand (2023: BGN 217 thousand).

The value of patents and trademarks includes an intangible asset recognised upon the business combination of the acquisition of Odessos PBM EAD in connection with the port operating certificate. The carrying amount of the asset was BGN 1,670 thousand as of 30 June 2024 (2023: BGN 1,703 thousand).

18.1. Goodwill

in BGN'000	
As of 31 December 2023	4,329
As of 30 June 2024	4,329

19. Investment property

Investment properties are trade and offices premises, warehouses, etc. in Varna city, which are leased out.

Fair value reconciliation

in BGN'000	Commercial and office properties	Warehouses	Other properties	Total
As of 1 January 2023	4,803	8,564	692	14,059
Costs of asset improvements	121	334	306	761
Transfers form/to property, plant and equipment	21	44	145	210
Gain / (loss) on revaluation of assets for the period	(134)	343	2	211
As of 31 December 2023	4,811	9,285	1,145	15,241

in BGN'000	Commercial and office properties	Warehouses	Other properties	Total
As of 1 January 2024	4,811	9,285	1,145	15,241
As of 30 June 2024	4,811	9,285	1,145	15,241

Pledged assets

The bank loans granted are secured with mortgages over investment properties, owned by a Group entity with a total carrying amount as of 30 June 2024 of BGN 40 thousand (2023: BGN 40 thousand) (Note 26).

20. Inventories

in BGN'000	30 June 2024	31 December 2023
Raw materials, materials and consumables	11,668	12,863
Work in progress	4,747	4,244
Finished products	1,921	2,469
	18,336	19,576

21. Debt instruments at fair value

In April 2024, the Group invested in an emission of US government securities, offering a six-month coupon of 4.75% and maturing on 15 November 2053. Government securities with a nominal value of USD 5,000 thousand were acquired for USD 5,116 thousand, including accumulated interest of USD 108 thousand. The yield of the security issue upon its issuance was 4.74 %. (Note 36).

22. TRADE AND OTHER RECEIVABLES, AND CONTRACT ASSETS

in BGN'000	30 June 2024	31 December 2023
Trade receivables, net	7,423	6,090
Trade related party receivables	7	4
Advance payments and prepayments	1,755	521
Taxes receivable, other than income tax	1,945	848
Court receivables, net	17	63
Loans to related parties	53	51
Interest receivable on deposits placed with banks	163	279
Other receivables	325	401
	11,688	**8,257**
Long-term portion	64	78
Short-term portion	11,624	8,179

The balance of Trade receivables, net in the amount of BGN 6,566 thousand, and the balance of Court receivables, net in the amount of BGN 4 thousand, as of 30 June 2024 represent trade receivables under contracts with customers. The balance of Trade receivables from related parties include receivables under contracts with customers in the amount of BGN 7 thousand.

The balance of Trade receivables, net in the amount of BGN 5,428 thousand, and the balance of Court receivables, net in the amount of BGN 50 thousand, as of 31 December 2023 represent trade receivables under contracts with customers,. The balance of Trade receivables from related parties include receivables under contracts with customers in the amount of BGN 4 thousand.

Contract assets

As of 30 June 2024, the Group had contract assets in the amount of BGN 908 thousand (2023: BGN 1,079 thousand).

23. CASH AND CASH EQUIVALENTS

in BGN'000	30 June 2024	31 December 2023
Cash with banks – related parties (Note 34)	40,597	44,888
Cash with banks - unrelated parties	7,478	11,810
Cash in hand	223	240
Cash and cash equivalents recognised in the consolidated statement of cash flows	**48,298**	**56,938**
Restricted cash as collateral under bank loans	-	-
Cash and cash equivalents recognised in the consolidated statement of financial position	**48,298**	**56,938**

Cash denominated in Bulgarian leva are measured at their nominal amount and that denominated in foreign currency are measured at the closing exchange rate of BNB at the reporting period-end. Any foreign exchange differences are stated as current income and respectively, expenses. Aiming at managing cash and gaining yield, the Group contracted short-term deposits (within 3 months) as of 30 June 2024.

24. SHARE CAPITAL AND RESERVES

The share capital is measured at par according to the registration with the Commercial Register.

in BGN'000	30 June 2024	31 December 2023
96,808,417 ordinary shares with par value of BGN 1 each	96,808	96,808
	96,808	**96,808**

The capital of the parent company Industrial Holding Bulgaria PLC as of 30 June 2024 comprises 96,808,417 dematerialised registered voting shares with par value of BGN 1 each that are listed on the Bulgarian Stock Exchange. The share capital is subscribed at par value and is fully paid. There are no preference shares and bearer shares.

Shareholders of Industrial Holding Bulgaria PLC holding more than 5% of the Group's capital as of 30 June 2024:

in BGN'000	Number of shares as of 30 June 2024	30 June 2024
BULLS AD	66,071,314	68.25%
DZH AD	9,657,874	9.98%
Other legal entities and natural persons	21,079,229	21.77%
	96,808,417	100.00%

Shareholders of Industrial Holding Bulgaria PLC holding more than 5% of the Group's capital as of 30 June 2023:

in BGN'000	Number of shares as of 31 December 2023	31 December 2023
BULLS AD	65,911,454	68.08%
DZH AD	9,657,874	9.98%
Other legal entities and natural persons	21,239,089	21.94%
	96,808,417	100.00%

Reconciliation of issued shares:

in BGN'000	Number of shares	Amount
As of 1 January 2023	96,808,417	96,808
As of 31 December 2023	96,808,417	96,808
As of 30 June 2024	96,808,417	96,808

Reconciliation of the premium reserve

in BGN'000	Amount
As of 1 January 2023	31,016
As of 31 December 2023	31,016
As of 30 June 2024	31,016

Statutory and additional reserves

Statutory reserves are set aside by joint-stock companies as a profit distribution in accordance with the provisions of Article 246 of the Commercial Act. They are set aside until they reach one-tenth or more of the capital. The sources that form the statutory reserves include at least one-tenth of the net profit, share premium and funds envisaged in the articles of association or decision of the General Meeting of Shareholders. The Statutory and Additional Reserves amounted to BGN 4,564 thousand as of 30 June 2024 (2023: BGN 4,678 thousand).

Treasury shares redeemed

By decision of the General Meeting of Shareholders of Industrial Holding Bulgaria PLC held on 18 November 2021 a consecutive procedure for redemption of treasury shares was initiated by the following parameters:

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

The appointed investment intermediary is Allianz Bank Bulgaria AD.

Industrial Holding Bulgaria PLC did not hold redeemed treasury shares as of 30 June 2024.

Industrial Holding Bulgaria PLC did not hold redeemed treasury shares as of 31 December 2023.

Revaluation reserve

The revaluation reserve is used to record increases in the fair value upon revaluation of land, buildings and specialised equipment (net of any deferred tax effects), and decreases in this amount to the extent that such increases relate to an increase of the value of the same asset previously recognised in other comprehensive income. The revaluation reserve amounted to BGN 80,391 thousand as of 30 June 2024 (2023: BGN 80,386 thousand).

Reserves from FX translations of foreign operations

The reserves from FX translations of foreign operations represent foreign exchange differences due to the translation of financial statements of companies with functional currencies other than the Bulgarian lev, as also due to the translation of net investments in foreign operations for the purposes of their consolidation. Such reserves are reclassified to profit or loss in the period of disposal of the relevant investments in foreign subsidiaries.

The reserves from foreign currency translation of foreign operations amounted to BGN 23,962 thousand as of 30 June 2024 (2023: BGN 20,393 thousand).

25. BASIC NET EARNINGS PER SHARE

Basic net earnings per share are calculated by dividing the net financial result for the period, attributable to the parent company equity owners, at the weighted average number of the ordinary shares held over the period.

The calculation of the basic earnings per share as of 30 June 2024 is based on the net earnings for the period attributable to the equity holders of the parent company in the amount of BGN 6,936 thousand (30 June 2023: a profit of BGN 9,037 thousand), and the weighted average number of the ordinary shares available during the year ending 30 June 2024 of 96,808 thousand (30 June 2023: 96,808 thousand). Calculations have been made as follows:

in BGN'000	30 June 2024	30 June 2023
Net profit for the period (in BGN'000)	6,999	9,205
Net profit for the period attributable to the owners of the parent company (in BGN'000)	6,936	9,037
Weighted average number of ordinary shares (in thousand)	96,808	96,808
Basic net earnings per share (in BGN)	**0.072**	**0.093**

The weighted average number of shares in the first six months of 2024 and the first six months of 2023 has been calculated on the basis of the movement in outstanding shares, as follows:

in BGN'000	30 June 2024	30 June 2023
Ordinary shares issued at the beginning of the period	96,808	96,808
Shares redeemed at the beginning of the period	-	-
Number of shares outstanding at the beginning of the period	**96,808**	**96,808**
Shares redeemed over the period	-	-
Ordinary shares issued at the end of the period	96,808	96,808
Shares redeemed at the end of the period	-	-
Number of shares outstanding at the end of the period	**96,808**	**96,808**
Weighted average number of ordinary shares for the period	**96,808**	**96,808**

Basic net earnings per diluted share have not been calculated as financial instruments that could lead to changes in the equity structure and equity ratios have not been issued.

26. INTEREST-BEARING LOANS

The contractual terms and conditions of the Group's loans are presented below. For

Non-current portion of long-term interest-bearing loans

In BGN'000	Currency	Interest rate, %	Maturity	30 June 2024	31 December 2023
Bank loan contract No. 22F-000155 of 24 February 2022	EUR	1.40%	2029	14,333	14,835
Bank loan contract No. 19F-002296 of 8 October 2019	EUR	1.60%	2026	214	307
				14,547	15,142

Current portion of long-term interest-bearing loans

In BGN'000	Currency	Interest rate, %	Maturity	30 June 2024	31 December 2023
Bank loan contract No. 22F-000155 of 24 February 2022	EUR	1.40%	2029	3,927	3,274
Bank loan contract No. 19F-002296 of 8 October 2019	EUR	1.60%	2026	185	185
				4,112	3,459

The payables under interest-bearing loans include principal and interest payable, as follows:

in BGN'000	30 June 2024	31 December 2023
Principal payable	18,651	18,593
Interest payable	8	8
	18,659	18,601

Bank Loan Contract No. 22F-000155 is concluded to secure funds for investments in a project for expanding one of the Group's ports and amounts to EUR 10,000 thousand. The borrower is Industrial Holding Bulgaria PLC, a co-debtor is the company implementing the project, and guarantors are other Group subsidiaries. The contract is secured by mortgages on real estate (land and buildings) of the company implementing the investment project. The loan matures in February 2029. In the first quarter of 2024, the loan was fully repaid. The repayment of the loan began in March 2024.

Under Bank Loan Contract No. 22F-001225, a total limit was granted for working capital financing, issuance of bank guarantees and letters of credit of the Holding and/or its Group companies in the amount of up to BGN 12,000 thousand. In December 2023, an annex was signed for revolving the part of the loan used as overdraft until 04 November 2024 and changing the interest rates for loans denominated in Bulgarian leva. The current floating interest rates are as follows: (a) for loans denominated in EUR – a one-month EURIBOR + 1.2%, but not less than 1.2%; (b) for loans denominated in BGN – the reference interest rate of the financing bank + 1.7%, but not less than 1.7%. The agreement is secured by mortgages on real estate (land and buildings) of a Group company, which is also a guarantor under the loan. The unutilised limit under the contract as of 30 June 2024 was BGN 11,923 thousand (Note 35).

The bank loans are secured by registered mortgages on land and buildings, and registered pledges imposed on plant and equipment belonging to Group companies, with a total carrying amount of BGN 42,449 thousand as of 30 June 2024 (31 December 2023: BGN 44,868 thousand).

27. Government financing

in BGN'000	30 June 2024	31 December 2023
As of 1 January	**1,221**	**1,263**
Government financing authorised and received over the period	-	64
Government financing authorised during the period in the form of payables to suppliers	-	172
Recognised in the statement of profit or loss during the period	(54)	(277)
At the period-end	**1,167**	**1,222**
Long-term portion	1,061	1,115
Short-term portion	106	107

The Group reported government grants as of 30 June 2024, which were received in previous reporting period, either the most significant thereof being the following:

- Financing under Operational Programme "Development of the Competitiveness of the Bulgarian Economy 2007-2013" for a project related to the purchase of new equipment in the amount of BGN 1,059 thousand. The outstanding balance as of 30 June 2024 was BGN 504 thousand.
- Financing under Operational Program "Development of the Competitiveness of the Bulgarian Economy 2007-2013" for a project for the supply of new equipment in the amount of BGN 359 thousand. The outstanding balance as of 30 June 2024 was BGN 173 thousand.
- Financing under the Operational Program "Development of the Competitiveness of the Bulgarian Economy 2007-2013" for a project for the introduction of an innovative technological process in the amount of BGN 526 thousand. The outstanding balance as of 30 June 2024 was BGN 307 thousand.

As of the approval date of the financial statements there were no unfulfilled conditions connected with the above financing.

28. Provisions

Warranty provisions

The warranty provision of BGN 10 thousand relates primarily to commitments for warranty maintenance under contracts executed by IHB Metal Casting AD in prior years. The calculations of the provision are based on estimates made on the basis of historical data on warranties on similar products. Warranties for periods longer than one year after the date of the financial statements are presented as long-term liabilities.

29. Retirement benefit liabilities

in BGN'000	30 June 2024	31 December 2023
Present value of liabilities as of 1 January	**1,080**	**1,025**
Remuneration paid for the year	(124)	(269)
Expenses recognised in the statement of profit or loss	-	121
Expenses recognised in the statement of comprehensive income	-	203
Present value of the liability at the period-end	**956**	**1,080**

30. Trade and other payables

in BGN'000	30 June 2024	31 December 2023
Trade payables	7,589	5,370
Payables to related parties	22	23
Advances and deferred income	300	266
Payables to personnel	2,262	2,779
Social security payable	708	713
Payables to the State budget	427	293
Other payables	1,087	1,183
	12,395	10,627
Long-term portion	317	152
Short-term portion	12,078	10,475

31. Contract liabilities

in BGN'000	30 June 2024	31 December 2023
Short-term advances	2,701	2,819
	2,701	2,819

32. Lease

32.1. The Group as a lessee

Right-of-use assets

in BGN'000	Buildings	Equipment	Total
Book value as of 1 January 2023	95	9	104
Depreciation charges as of 1 January 2023	(24)	(4)	(28)
Carrying amount as of 1 January 2023	71	5	76
Book value as of 1 January 2023	95	9	104
Newly-recognised assets	2,496	89	2,585
Disposed assets	(95)	-	(95)
Recalculation of the lease liability due to modification	150	6	156
Derecognised depreciation due to modification	(233)	(4)	(237)
Book value as of 31 December 2023	2,413	100	2,513
Depreciation charges as of 1 January 2023	(24)	(4)	(28)
Depreciation charges over the period	(303)	(27)	(330)
Depreciation charges on disposed assets	94	-	94
Depreciation written off due to modification	233	4	237
Depreciation as of 31 December 2023	-	(27)	(27)
Carrying amount as of 31 December 2023	2,413	73	2,486

in BGN'000	Buildings	Equipment	Total
Book value as of 1 January 2024	2,413	100	2,513
Depreciation charges as of 1 January 2024	-	(27)	(27)
Carrying amount as of 1 January 2024	**2,413**	**73**	**2,486**
Book value as of 1 January 2024	**2,413**	**100**	**2,513**
Derecognised depreciation due to modification	-	(6)	(6)
Book value as of 30 June 2024	**2,413**	**94**	**2,507**
Depreciation charges as of 1 January 2024	**-**	**(27)**	**(27)**
Depreciation charges over the period	(137)	(17)	(154)
Derecognised depreciation due to modification	-	6	6
Depreciation as of 30 June 2024	**(137)**	**(38)**	**(175)**
Carrying amount as of 30 June 2024	**2,276**	**56**	**2,332**

Impairment of right-of-use assets

Based on an impairment testing of right-of-use assets carried out at 30 June 2024, the Group's management found no indications that the right-of-use assets' carrying amount exceeded their recoverable amount.

Lease liabilities

in BGN'000	30 June 2024	31 December 2023
As of 1 January	2,521	77
Balance at the beginning of the period	-	2,585
Newly-occurred lease liabilities during the period	-	156
Recalculation of the lease liability due to modification	-	(21)
Non-monetary repayment of lease liabilities during the period	33	60
Interest expenses for the period	(173)	(336)
Lease payments for the period	**2,381**	**2,521**
Balance at the period-end		
	2,096	2,238
Long-term portion	285	283
Short-term portion		

The weighted average incremental interest rate applied by the Group in calculating the lease liabilities for the first six months of 2024 was 2.8%.

Other expenses included in profit or loss

Besides depreciation expenses on right-of-use assets and interest expenses on lease liabilities, indicated above, the Group has recognised also the following other lease-related expenses:

in BGN'000	30 June 2024	31 December 2023
Expenses relating to short-term lease contracts	(21)	(16)
Expenses relating to leases of low-value assets	(3)	(4)

Lease activities of the Group

The Group rents buildings (office properties) and equipment. Leases generally have lease terms between 2 and 10 years.

The leased main assets cannot be used as collateral under other contracts.

32.2. THE GROUP AS A LESSOR

The Group has lease contracts for buildings, mainly classified as investment property.

The Group leases out open areas as well, which have been classified as Property, plant and equipment.

The Group also concludes short-term time charter contracts for ships, which have been classified as Property, plant and equipment.

All leases of the Group are classified as operating leases as they do not transfer all significant risks and rewards of ownership of the leased assets.

The rental income recognised by Group in the first six months of 2024 amounted to BGN 6,866 thousand (in the first six months of 2023: BGN 8,624 thousand). For further details, see Note 7.

33. FINANCIAL INSTRUMENTS

5.1. FINANCIAL RISK MANAGEMENT

a. Overview

The Group is exposed to the following risks relating to the use of financial instruments:

- credit risk
- liquidity risk;
- market risk
- operating risk.

This Note discloses information on the Group's exposure to each of the aforementioned risks, the Group's objectives, policies and processes for measuring and managing those risks, as also for managing the Group's capital.

b. General risk management considerations

The Group's risk management policy is elaborated and applied in such a way as to identify and analyse the risks facing the Group, to set limits for assuming risks and controls, to monitor the risks and the compliance with the limits set. This policy is subject to regular review to identify possible changes in the market conditions and the Group's operations. The Group, through its training and management standards and procedures, aims to develop a constructive control environment where all employees understand their roles and duties.

The Audit Committee of Industrial Holding Bulgaria PLC observes the way management ensures compliance with the risk management policies and review the adequacy within the risk management framework regarding the risks facing the Group. The Internal Audit Department supports the Audit Committee of Industrial Holding Bulgaria PLC. The Internal Audit Department handles both planned and unannounced checks of the risk management controls and procedures, the results of which are reported to the Audit Committee.

c. Credit risk

The credit risk, to which the Group is exposed, is the risk of possible financial loss if a client or a party to a financial instrument fails to perform its contractual obligations and arises principally from the Group's receivables from customers.

Trade receivables

The Group's credit risk exposure depends on the customer's individual characteristics, which vary from one sector to another. This exposure may also depend on the risk of non-payment specific to the industry or the markets in which the Group companies operate. As this risk is different for the different sectors, it is managed by sectors in view of the weight of each sector within the investment portfolio of Industrial Holding Bulgaria PLC. Therefore, the Group's risk is diversified. The credit policies of the Group companies require the solvency of each new customer to be investigated and assessed before offering standard terms of delivery and payment.

Guarantees

It is a policy of the Group to issue financial guarantees only to Group companies and only after obtaining the preliminary approval of the Managing and Supervisory Boards.

d. Liquidity risk

Liquidity risk is the probability that the Group will be unable to meet all its obligations, which are settled in cash or through another financial asset. The Group's approach to managing the liquidity risk is to secure sufficient liquidity, wherever possible, so as to cover its liabilities, in both ordinary and abnormal conditions, ensuring the Group will not suffer unacceptable losses or reputation damages.

The Group elaborates financial planning to cover its expenses and current payables for a period of 30 days, including settlement of financial liabilities; this planning excludes the potential effect of extraordinary circumstances that may not be foreseen under usual conditions.

e. Market risk

Market risk is the risk that affects the Group’s revenue or the value of its investments due to fluctuations resulting from changes in market prices, such as exchange rates, interest rates or prices of equity instruments. The objective of market risk management is to control the exposure to market risk within acceptable limits through return rate optimisation.

Currency risk

The Group is exposed to currency risk for purchases and / or sales and / or borrowings and / or upon accumulation of significant cash denominated in a currency other than the functional currency of the subsidiaries. The functional currency of all subsidiaries is the Bulgarian lev except for shipping companies whose functional currency is US Dollar and International Industrial Holding Bulgaria whose functional currency is the Swiss Franc.

Interest on loans is denominated in the currency of the loan. Typically, loans are denominated in a currency that coincides with the currency of the cash flows from related activities, most often in levs and euros, but also in dollars. This allows for the creation of a non-derivative economic hedge and as a result no hedge accounting is applied in these cases.

The Group’s management has minimised the payments in currencies, other BGN, EUR and USD, aiming at minimizing the Group’s exposure to currency risk. Some of the companies are exposed to limited currency risk on purchases and/or sales and/or receiving loans denominated in currencies other than the functional currency.

Interest rate risk

The Group companies are exposed to interest rate risk mainly with respect to its loans bearing floating (variable) interest rates corresponding to the current market prices. Interest rate risk is managed through using loans with fixed interest rates.

f. Capital management

The policy of the Managing Board (MB) is to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to sustain future development of the business. The capital consists of share capital, reserves and retained earnings.

34. RELATED PARTY DISCLOSURES

The Group's consolidated financial statements comprises the parent company and the following entities:

	Country of registration	30 June 2024	31 December 2023
Industrial Holding Bulgaria PLC	Bulgaria	Parent company	Parent company
Privat Engineering EAD	Bulgaria	100.00%	100.00%
ZMM Bulgaria Holding EAD	Bulgaria	100.00%	100.00%
ZMM Sliven AD	Bulgaria	95.98%	95.98%
ZMM Nova Zagora AD	Bulgaria	99.66%	99.45%
IHB Metal Castings EAD	Bulgaria	100.00%	100.00%
KRZ Port-Burgas AD	Bulgaria	99.65%	99.65%
KLVK AD	Bulgaria	100.00%	100.00%
International Industrial Holding Bulgaria AG	Switzerland	100.00%	100.00%
Maritime Holding AD	Bulgaria	61.00%	61.00%
Bulgarian Register of Shipping EAD	Bulgaria	61.00%	61.00%
Bulyard Shipping Industry EAD	Bulgaria	100.00%	100.00%
IHB Shipping Co EAD	Bulgaria	100.00%	100.00%
Karvuna Ltd	Marshal Islands	100.00%	100.00%
Odria Ltd	Marshal Islands	100.00%	100.00%
Tirista Ltd	Marshal Islands	100.00%	100.00%
Serdika Ltd	Marshal Islands	100.00%	100.00%
Karia Ltd	Marshal Islands	100.00%	99.00%
Ticha LTD	Marshal Islands	100.00%	-
Vaya LTD	Marshal Islands	100.00%	-
Bulport Logistics AD	Bulgaria	100.00%	100.00%
Odessos PBM EAD	Bulgaria	100.00%	100.00%
IHB Shipdesign AD	Bulgaria	70.00%	70.00%

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

The Group is of the opinion that in accordance with the definitions of IAS 24 it is a related party with:

I. Persons exercising control within the meaning of IAS 24

- BULLS AD, a company that directly holds 68.25% of Industrial Holding Bulgaria PLC.
- Dimitar Zhelev, a person exercising control over Bulls AD and husband of Daneta Zheleva, the Chief Executive Officer of Industrial Holding Bulgaria PLC.

II. Entities under the joint control of the persons exercising control (under item I)

III. Entities, over which the persons that have control also exercise significant influence or are members of their key management staff (under item I)

IV. Key management staff comprising the Management Board and the Supervisory Board of the Company.

V. Associated companies

Trade and other receivables from related parties

in BGN'000	30 June 2024	31 December 2023
Entities under joint control of the persons exercising control	23	23
Entities, over which the persons exercising control have significant influence or are members of their key management staff	170	271
	193	294

Loans to related parties

in BGN'000	30 June 2024	31 December 2023
Associated companies	53	51
	53	51

Cash with banks-related parties

in BGN'000	30 June 2024	31 December 2023
Entities, over which the persons exercising control have significant influence or are members of their key management staff	40,597	44,888
	40,597	44,888

Loans from related parties (including interest)

in BGN'000	30 June 2024	31 December 2023
Persons exercising control	3,256	-
	3,256	-
Non-current portion of long-term loans	3,250	-
Current portion of long-term loans	6	-
Principal	3,250	-
Interest	6	-

Liabilities to related parties under lease contracts

in BGN'000	30 June 2024	31 December 2023
Entities under the joint control of the persons exercising control	2,324	2,447
Balance at the period-end	2,324	2,447
Long-term portion	2,073	2,199
Short-term portion	251	248

The consideration due for the first six months of 2024 under a lease contract with an entity under the joint control of the persons exercising control is BGN 156 thousand and the cash outflow is BGN 156 thousand.

Trade and other payables to related parties

in BGN'000	30 June 2024	31 December 2023
Entities under the joint control of the persons exercising control	-	6
Entities, over which the persons exercising control have significant influence or are members of their key management staff	11	9
	11	15

Sales transactions

in BGN'000		30 June 2024	30 June 2023
Revenue from contracts with customers			
	Entities, over which the persons exercising control have significant influence or are members of their key management staff	33	31
Rental income			
	Entities, over which the persons exercising control have significant influence or are members of their key management staff	48	36
Other income			
	Persons exercising control	-	2
	Entities, over which the persons exercising control have significant influence or are members of their key management staff	2	4
		83	73

Purchase transactions

in BGN'000		30 June 2024	30 June 2023
Expenses on materials			
	Entities under the joint control of the persons exercising control	31	7
Expenses on hired services			
	Entities under the joint control of the persons exercising control	-	4
	Entities, over which the persons exercising control have significant influence or are members of their key management staff	76	381
Other expenses			
	Entities under the joint control of the persons exercising control	27	35
Other finance costs			
	Entities, over which the persons exercising control have significant influence or are members of their key management staff	41	42
		175	469

Interest income on short-term deposits placed with a bank-related party (entities over which the persons exercising control have significant influence or are members of their key management staff) in the first six months of 2023 amounted to BGN 826 thousand (the first six months of 2023: BGN 499 thousand). The interest on deposits paid over the period by the bank amounted to BGN 922 thousand (the first six months of 2023: BGN 550 thousand).

In the first six months of 2024, commissions paid on the purchase of short-term US government securities to a bank-related party (entities over which the persons exercising control have significant influence or are members of their key management personnel) amounted to BGN 14 thousand (the first six months of 2023: BGN 17 thousand).

Movements in loans from related parties

in BGN'000		Amounts received/ (granted)	Amounts (paid)/ refunded	Interest (expenses)/ income	Interest paid
Persons exercising control	30 June 2024	3,250	-	(6)	-
Persons exercising control	30 June 2023	-	(157)	(12)	(1)
	30 June 2024	3,250	-	(6)	-
	30 June 2023	-	(157)	(12)	(1)

Movements in loans from related parties

in BGN'000		Amounts received/ (granted)	Amounts (paid)/ refunded	Interest (expenses)/ income	Interest paid
Associated companies	30 June 2024	-	-	2	-
Associated companies	30 June 2023	-	-	-	-
	30 June 2024	-	-	2	-
	30 June 2023	-	-	-	-

Terms and conditions of related party transactions

The sales to and purchases from related parties are made at contractual prices. Outstanding balances at the year-end are unsecured (except for loans), and settlement is made in cash. Guarantees except those listed below were not provided or received for related party receivables or payables. As of 30 June 2024, the Group did not impair receivables relating to amounts owed by related parties (2023: Nil). A review for expected credit losses due to impairment is made every financial year by examining the financial position of the related party, the economic environment, and the market in which the related party operates.

35. COMMITMENTS AND CONTINGENCIES

Capital commitments

In June 2024, the Group signed three contracts to construct three new 64,100 DWT bulk carriers, with an expected delivery of the first ship at the end of 2027 and the following two – in the first six months of 2028. The total amount of the agreed capital commitments at the end of the reporting period, which were not recognised as liabilities, was USD 104,350 thousand.

In August 2024, the Group made the first advance payment due under the shipbuilding contracts totalling USD 19,113 thousand (Note 36). The balance is payable in stages over construction, with the most significant portion of the amounts due in 2027 and 2028.

Legal claim contingency

No material legal claims have been brought against the Group.

Guarantees

Under Contract No. 22F-001225 concludes with a commercial bank for the provision of a total limit for working capital financing, issuance of bank guarantees and letters of credit to the Holding and/or its Group companies in the amount of up to BGN 12,000 thousand as of 30 June 2024:

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

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

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

The corporate guarantees secure all pre-delivery advances on the vessels totalling USD 52,175 thousand and any interest due for late payment. The guarantees are valid until all advances (first to fourth) have been paid, expected by the end of 2027. The obligation under the guarantees may also be terminated in the event of termination of the contracts by the buyer in compliance with the agreed terms. The amount of the corporate guarantees is reduced by each payment due under the shipbuilding contracts. At the beginning of August 2024, the Group financed with its own funds the first advance payment in the total amount of USD 19,113 thousand (after receipt of the counter bank guarantees from the seller).

Collateral

In connection with Bank Loan Contract No. 22F-001225 of 07 November 2022, obtained to secure a total limit for working capital financing, issuing bank guarantees, and opening letters of credit, Industrial Holding Bulgaria PLC and the company-guarantor concluded financial collateral agreements by way of a pledge of receivables providing for a right of use over all its accounts with the creditor bank in the amount of the loan liability at the relevant time.

In connection with Bank Loan Agreement No. 22F-000155 of 24 February 2022, obtained to ensure loan funds to cover investments of a subsidiary, Industrial Holding Bulgaria PLC, the company-guarantor and the company-co-debtor under the loan signed financial collateral agreements by way of a pledge of receivables providing for a right of use over all their accounts with the creditor bank in the amount of the loan liability at the relevant time.

In connection with Bank Loan Contract No. 19F-002296 of 8 October 2019, obtained to finance the construction of a photovoltaic power plant, the company-borrower under the loan and the company-co-debtor signed financial collateral agreements by way of a pledge of receivables providing for a right of use over all their accounts with the creditor bank in the amount of the loan liability at the relevant time.

The above collateral is valid until the date of full repayment of loan liabilities they secure and/or until the date of termination of the revolving limits.

Other matters

The Group's management has not found other material risks as a result of the dynamic fiscal and regulatory environment in Bulgaria, which might require significant adjustments in the consolidated financial statements for the year ended 30 June 2024.

36. EVENTS AFTER THE REPORTING DATE

In connection with the three contracts entered into in June 2024 for the construction of three new 64,100 DWT bulk carriers and the receipt of the agreed bank guarantees to secure the advance payments, in August 2024, the Group paid the first advance payment due in a total amount as of USD 19,113 thousand (Note 35).

In August 2024, the US government securities purchased in April 2024 were sold. The net gain on the transaction was USD 460 thousand.

Besides the disclosed above, no other significant events have occurred after 30 June 2024, which require additional adjustments and/or disclosures in the financial statements for the reporting period.