AS "Virši-A"

Unified Registration Number 40003242737

Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2023,

prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union

Contents

General information

Name of the parent company	**Virši-A**
Legal form	Joint Stock Company
Registration number and date	40003242737, 6 January 1995
Legal address	Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads, Latvia, LV-5101
Shareholders (above 5%)	Jānis Riekstiņš 21.05% of shares Jānis Rušmanis 20.88% of shares Ruta Plūme 20.85% of shares Andris Priedītis 12.83% of shares Ilgvars Zuzulis 12.81% of shares
Members of the Board	Jānis Vība, Chairman of the Board Linda Prūse, Member of the Board Vita Čirjevska, Member of the Board
Members of the Council	Jānis Riekstiņš, Chairman of the Council Jānis Rušmanis, Deputy Chairman of the Council Ilgvars Zuzulis, Member of the Council Andris Priedītis, Member of the Council Ivars Blumbergs, Member of the Council Silva Skudra, Member of the Council
Information on subsidiaries	**Viršu nekustamie īpašumi, SIA** Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads, Latvia, LV-5101 Holding: 100,00%, from 15.09.2020 **VIRŠI loģistika, SIA** Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads, Latvia, LV-5101 Holding: 100,00%, from 15.09.2020 **VIRŠI Renergy, SIA** Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads, Latvia, LV-5101 Holding: 100,00%, from 20.07.2020
Information on associated companies	**Gulf Petrol RE SIA** Brīvības iela 85 - 5, Rīga, LV-1001 Holding: 30.00%, from 01.07.2016 **GasOn SIA** Bieķensalas iela 21, Rīga, LV-1004 Holding: 30.00%, from 30.12.2021 **Skulte LNG Terminal AS** Dzirnavu iela 36, Rīga, LV-1010 Holding: 19.23%, from 31.05.2022
Chief Accountant	Jeļena Laurinaviča

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Group Management Report

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Line of business

AS "VIRŠI-A" and its subsidiaries form a group that trades in energy resources and maintains a network of convenience stores (hereinafter also referred to as "the Group"). The Group is engaged in wholesale and retail sale of oil products and retail sale of car goods and groceries through the network of own filling stations.

The Group's share capital amounts to EUR 7 557 210.50 and consists of 15 114 421 shares.

Nominal value per share is EUR 0.50. All shares are fully paid up. From 11 November 2021, the shares of AS VIRŠI-A are traded on the First North alternative market of Nasdaq Riga.

The Group's activities during the reporting period

Total turnover

162 372 602 €
+5%

Convenience store turnover

22 742 710 €
+24.5%

Fuel turnover

128 627 302 €
-2,7%

Energy turnover

10 039 236 €
+195,9%

Net profit

3 155 155 €
-43,5%

EBITDA

7 593 634 €
+14,5%

Station network

72
+2

The Group's activities during the reporting period

In the first half of 2023, the Group successfully continued implementing its development strategy, which involved objectives such as the substantial expansion of the network, modernisation of filling stations and providing consistently high-quality products and services to its customers, as well as extending support to local producers by presenting them with the opportunity to place their products in stores of the Virši network.

The aim of the Group since 2021 is to become a fully fledged energy company that offers its customers electricity and other energy products. The financial results for the period under review are stable, continuing the company's steady long-term development. Compared to 6 months of 2022, turnover has increased by 5% or EUR 7.7 million, which was driven by further expansion and modernisation of the network of filling stations, the development of the product range in convenience stores, and the development of the Group's energy segment. The retail market of fuel in Latvia grew by 2.2% in the first five months of 2023 in terms of tonnes sold, while that of the Group grew by 14.5%. At the end of 2022, the Group operated 70 filling stations, while in June 2023 — 72 filling stations, and it convincingly continued to grow its loyal customer base. Net sales in convenience stores increased by 24.5% or EUR 4.5 million. In 2023, the energy business segment continued developing reaching sales of EUR 10.0 million (2021: EUR 3.4 million).

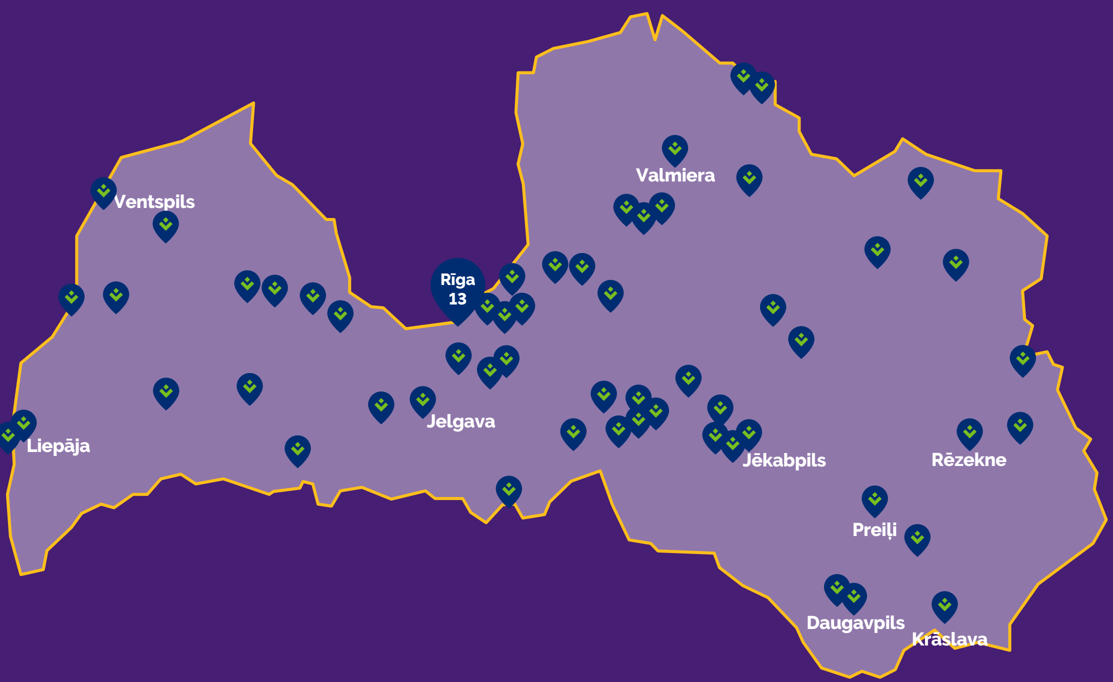
Net profit is EUR 3 155 155 that is by 44% less than in the first half of 2022, and net profitability* is 1.9% (first 6 months of 2022: 3.6%), while the **adjusted net profit from operating activities of the Group**, excluding the result from the change in the value of financial instruments, in **6 months of 2023 amounted to EUR 4 430 578 that is an increase by 10% compared to the same period in 2022** (first 6 months of 2022: EUR 4 045 949). **EBITDA** amounted to EUR 7 593 634** (2022: EUR 6 633 475), **that is an increase by 14.5%.**

*) Net profit margin — calculated by dividing the Groups profit for the reporting year by net sales;

**) EBITDA — the Group's profit before financial revenue and costs, depreciation, amortisation, and Corporate Income Tax).

Strategic development and investments

During the reporting period, the Group actively continued expanding its filling station network by building new stations, refurbishing the existing stations and opening new franchised stations.



To meet the modern energy efficiency and customer service requirements, the Group started major improvements at the stations in **Sarkandaugava**, **Zīlāni**, and on **Satekles Street, Riga**, which was previously an automatic filling station, the construction of a convenience store was started in the spring for the brand to provide full services in the centre of Riga in the autumn of 2023. On the motorway of Riga–Jelgava, opposite the existing Virši Olaine station, construction of another new station — **Virši Olaine 2** — was started and it will welcome its first customers in the autumn of 2023.

Within the framework of targeted development of the filling station network coverage, two new franchised stations in the Latgale — in **Preiļi and Krāslava**, where the brand's services were not available before — joined the Virši brand network during the reporting period.

In addition to the construction of new facilities, technical, interior and exterior improvements were carried out at 22 Virši filling stations during the reporting period, and the Group is actively pursuing the development of new facilities to achieve its strategic objectives.

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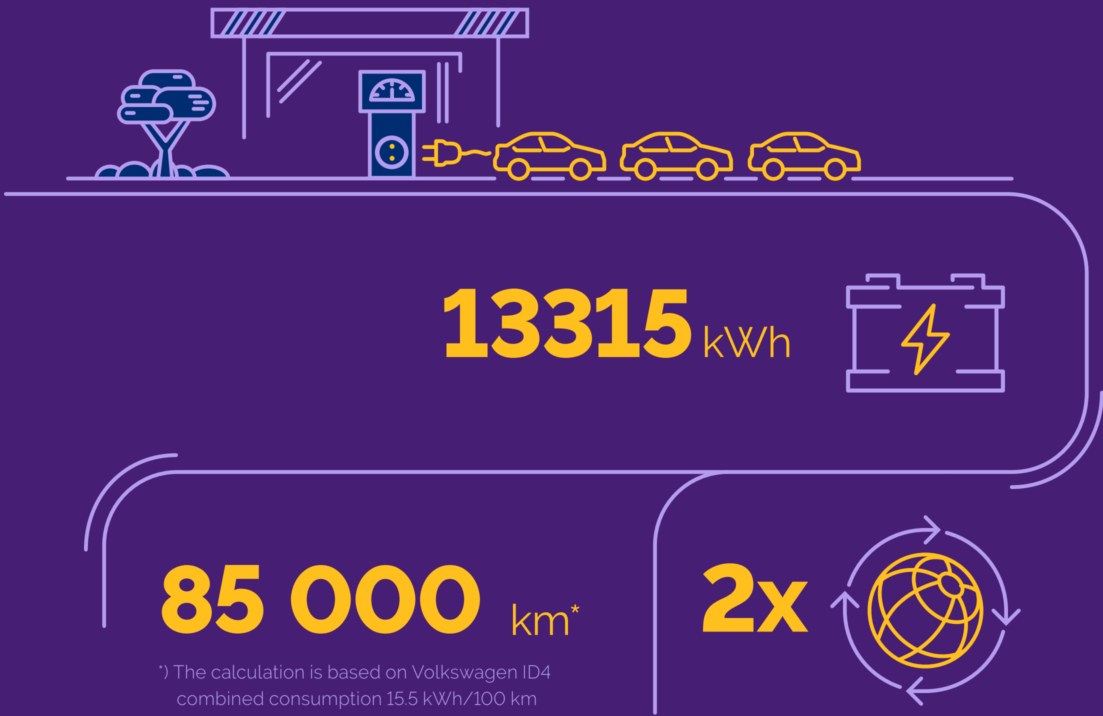
Charging station network development



The Group has assigned a significant role to electricity and related products as part of its strategic development. In the beginning of 2022, the Group started working on the establishment and development of an electricity distribution network.
In the first half of 2023, three charging stations were installed (Virši Cukurs, Ādaži and Asni), providing in total of seven charging points, where five vehicles can be charged at the same time. Each charging station has a total capacity of 200 kW and a maximum of 160 kW available per CCS plug, which is fully compatible with the charging capabilities of the latest model cars.

Extensive project planning and development work has also been carried out during this period, to install six more electric vehicle charging stations with at least 24 charging points in the coming months and equipping in total of 11 Virši stations with electric vehicle charging capabilities by the end of the year.

Līdzfinansē Eiropas Savienība

The charging network development project is carried out with the The European Climate, Infrastructure and Environment Executive Agency (CINEA) via the Alternative Fuels Infrastructure Facility (AFIF).

Strategic development and investments

During the reporting period, the company actively worked to **develop a mobile application** to be offered to customers at the end of summer that would allow them to pay for fuel before fuelling without having to enter the filling station, as well as to receive different loyalty programme benefits and combine a bank card with discount functionality. Work is also continued on the electricity sales offer for households, which will be offered to customers in the autumn of 2023.

In regard to the development of alternative energy offer to the transport sector, work is continued on the implementation of the biomethane plant project and the development of CNG trading, offering customers the solutions that are currently available to reduce their environmental impact.

The Group's total **investment in the first half of the year 2023 amounted to EUR 5.7 million** (in the first half of 2022: EUR 7 million).

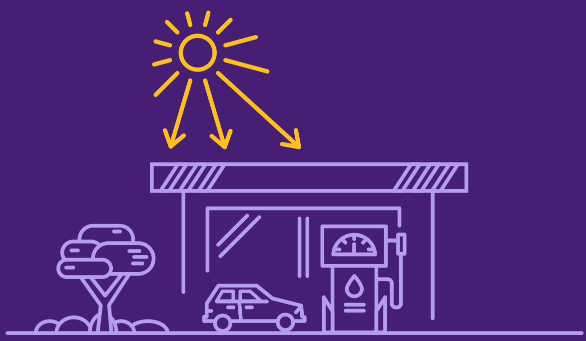
Strategic development and investments

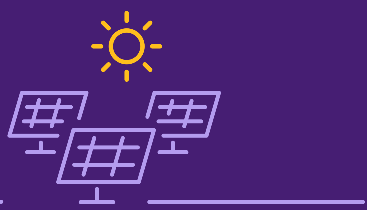
Sustainability

In the first half of 2023, large part of the teamwork was dedicated to develop projects that directly or indirectly address the environmental sustainability issues. The installation of solar panels on the roofs of the filling stations is a step towards generating part of the electricity required for self-consumption, while the rest of the electricity is purchased from Latvian energy producers from the beginning of 2023. Thus, **only renewable electricity produced in Latvia is used for self-consumption within the Group.**
For electricity consumption in the Virši Group that we do not cover with our consumption, we use proofs of origin to ensure that this energy is produced using renewable energy sources. Across the EU, proofs of origin keep track of the type of electricity produced and allow the end consumer to prove that the energy they have consumed has been produced by a specific producer using specific resources.

The Group started work actively on self-consumption of solar energy in the end of 2021 by installing the first solar panels on the roof of the filling station in Brocēni. At the end of this reporting period, **the installed capacity of the grid has reached 487 kW**, equipping in total of 31 filling stations and the roof of the office building in Aizkraukle.

The Group continues working on sustainability matters, on the implementation of environmental, social responsibility and corporate governance principles, with an updated report to be published in September 2023.





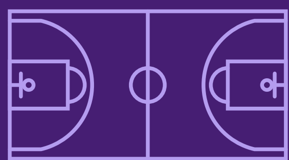
31 stations
equipped with solar panels

1 200 solar panels

Power **487** kW

Area **2280** m^2

186842 kWh
produced in the first half of 2023



Covers an area of **5** basketball courts

=178 households

Sufficient to provide electricity to ~ 178 households in Latvia*

*) According to the Central Statistical Bureau (CSB) data, one household consumes 175 KWh per month on average

The Sustainability Working Group

In March 2023, the Sustainability Working Group of Virši was established, with more than 20 Virši colleagues willing address sustainability issues actively. The goal of the Working Group is to contribute to the development of sustainability in Virši by researching, calculating, developing, and implementing real and necessary sustainability solutions.

The Sustainability Working Group organises both face-to-face and online meetings, as well as exchange visits to different Latvian companies.

The Sustainability Working Group is currently working on a variety of sustainability matters:

- Product life cycle assessment and mitigation;
- Sustainability assessment of business partners;
- In-house advertising portal to extend the life cycle of goods;
- Internal employee motivation system to foster sustainability;
- Communicating sustainable lifestyle to colleagues and customers;
- Waste sorting and reduction at Virši filling stations and offices;
- Sustainable shared transport in the company.

Environment protection

The Group has an integrated approach to prevention and control of pollution and are compliant with the environmental requirements set forth in category C and B polluting activity permits and laws and regulations. .

AS VIRŠI-A operates efficiently and has a certified integrated quality, environmental and energy management system based on the requirements of the international standards ISO 9001:2015, 14001:2015, and 50001:2018. The integrated management system ensures continuous improvement of the company's performance and alignment of objectives with environment protection, energy efficiency, and process quality. Energy management, environmental and quality system commitments are respected and complied with in the storage and sale of fuel products, procurement, acquisition of new process equipment, station refurbishment and new development projects, sale of goods and products, and in customer service.

Company's mission, vision, and values

A clearly defined mission, vision, and values serve as a roadmap for every employee in their daily decision-making and responsibilities.

In the beginning of 2019, based on the Group's activities and internal culture at the time, the mission, vision, and three values were defined actively involving the employees. Over the recent years, as new projects have been implemented and the Group has grown, the culture of the company has also evolved and it is important to capture and reflect this in the company values. Therefore, during the reporting period, an assessment of the mission, vision, and values was carried out, providing the opportunity to involve the Group's employees, and as a result, the implementation of the new vision, mission and adjusted values in the company will start in the second half of 2023:

Vision

A diverse source of strength
that inspires everyone who wants to work today and tomorrow

Mission

Providing energy to everyone
who wants to do greater things

Values

- **Human to human**
- **Passion is our energy**
- **Our strength is in our roots**
- **Creating the future today**

We believe in our strength and keep on going!

The company employees were introduced to the adjusted values, vision, and mission at the Virši Forum 2023 "Our strength is in our roots". This is the company's most important employee event of the year, where the company's performance, goals, and developments are assessed.

To anchor the company's renewed mission, vision and values, informing of staff will take place in the second half of 2023 using internal communication channels and employee involvement projects. For example, using the Virši calendar, which is developed according to the company's identity, values and ensuing actions, displaying the key elements of each value in the employees' daily routine.

Corporate governance

In April 2023, a reorganisation process was initiated to merge AS VIRŠI-A with its subsidiary SIA Viršu nekustamie īpašumi.

The company is engaged in real estate development and owns part of the Virši filling stations that are leased to AS VIRŠI-A. The purpose of the reorganisation is to simplify the Group's structure, make management more efficient and reduce administrative costs. As a result of the reorganisation, it is expected that by the end of 2023, SIA Viršu nekustamie īpašumi will transfer all its assets, rights, and liabilities to AS VIRŠI-A and will cease to exist without a liquidation process.

In February 2023, **AS VIRŠI-A received the award of Nasdaq Baltic Awards for the best investor relations on the First North stock market.** The award reflects the company's high achievements in transparency, good corporate governance, and investor relations.

Personnel

Following the dynamic economic and labour market situation in the retail sector, where the offer of vacancies exceeds the demand, during the reporting period, the Group has set a priority to improve the welfare of its staff by improving the employer's offer to employees. During the reporting period, **the remuneration of filling station salespersons was reviewed and increased**, and health insurance cover was assessed, ensuring a high level offer. Continuing working on improvement of the staff welfare, the rewards policy was reviewed, enabling employees to evaluate the contribution of other colleagues more actively, introducing a new staff award category, and highlighting the performance of long-serving employees.

To ensure a long-term professional development and regular competency improvement of staff, the internal training system was enhanced and the internal learning platform "Virši Academy" was launched in May 2023. The aim of the platform is to improve the knowledge of staff of all levels, to develop competences and to facilitate internal communication and knowledge transfer. The first training sessions were organised for both new and experienced colleagues working for different functions and departments.

In the CV Online TOP Employers' survey, the company was ranked 8th in the trade sector.

Social support initiatives

One of the Group's key social responsibility objectives for 2023 was to support the **SOS Children's Villages Association**. The initiative is based on providing assistance through the advantages of a network of filling stations, reaching out and informing the company's stakeholders and the public about the topicality of the issue. During the reporting period, the Group supported the Association's activities by donating EUR 20 000 to help cover the operating and transport costs of the SOS Children's Villages in 2023. During the remainder of the reporting year, the Group will carry out an internal information campaign in media channels and in the network of filling stations to raise awareness among the public about the activities of the SOS Children's Villages Association and the need to support them.

During the reporting period, the support to the **Latvia State Blood Donor Centre**, launched in 2020, continued, further explaining and highlighting the importance of continuity of blood donation both to the public and the company's employees. Donor Days are also organised at the Group's office in Riga, addressing the Company's employees and business partners supporting the Latvian blood donor movement.

Management of financial risks

The Group is exposed to financial risks including credit risk, oil price risk, interest rate and currency risk. In order to control significant risks and mitigate the adverse impacts of the financial market, the Group's management observes internal procedures.

Credit risk is controlled by the Group through the constant assessment of client credit history based on credit policies in place. Receivables are registered by an individual assessment of the customer's credit history and financial indicators within appropriate credit limits and established due days. Trade receivables are carried at their recoverable amount. The Group's partners in cash transactions are local financial institutions with an appropriate credit history.

The Group is exposed to the oil price risk as it both purchases and sells fuel products, and the price of fuel products is closely linked to market fluctuations in oil prices. The risk is mitigated as the Group's prices are predominantly set on the basis of the actual fuel purchase price.

The Group observes a prudent policy for managing liquidity risk and secures access to appropriate amounts of cash and cash equivalents or credit resources under bank credit lines to be able to meet its liabilities as they fall due.

For the purposes of currency risk management, the Group management monitors the currency structure of assets and liabilities. Due to the current structure of the financial assets and liabilities denominated in foreign currencies, the currency risk is not material.

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Subsequent events

No significant subsequent events have occurred that would materially impact the financial statement presentation.

Riga, 9 August 2023

Jānis Vība
Chairman of the Board

Linda Prūse
Member of the Board

Vita Čirjevska
Member of the Board

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VIRŠI

Condensed consolidated statement of comprehensive income

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Condensed consolidated statement of comprehensive income

For the six months ended 30 June

	Note	2023 EUR (unaudited)	2022 EUR (unaudited)
Net sales	2	162 372 602	154 713 394
Cost of sales	3	(144 441 194)	(138 365 021)
Gross profit		**17 931 408**	**16 348 372**
Selling expenses	4	(11 240 877)	(10 529 526)
Administrative expenses	5	(1 326 667)	(1 049 768)
Other operating income		217 986	97 994
Other operating expenses		(334 202)	(350 200)
Results from operating activities		**5 247 648**	**4 516 872**
Financial revenue	18	161 777	1 581 455
Finance expenses	15	(1 893 911)	(243 953)
Profit before corporate income tax		**3 515 515**	**5 854 374**
Corporate income tax for the reporting year	6	(360 360)	(265 287)
Profit after corporate income tax		**3 155 155**	**5 589 087**
Profit of the reporting year		**3 155 155**	**5 589 087**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Change in Asset retirement obligation	11, 14	(13 850)	255 074
Other comprehensive income		**(13 850)**	**255 074**
Total comprehensive income		**3 141 305**	**5 844 161**
Earnings per share before and after dilution	11	0.21	0.37
EBITDA per share		0.50	0.44

The accompanying notes on pages 33 to 55 are an integral part of these consolidated financial statements.

Riga, 9 August 2023

Jānis Vība	Linda Prūse	Vita Čirjevska	Jeļena Laurinaviča
Chairman of the Board	Member of the Board	Member of the Board	Chief Accountant

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Condensed consolidated statement of financial position

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Condensed consolidated statement of financial position as at 31 December 2022

Assets

NON-CURRENT ASSETS	Note	30.06.2023 (unaudited) EUR	31.12.2022 EUR
Intangible assets		228 847	219 342
Property and equipment	7	77 785 065	74 386 620
Right-of-use assets		2 569 254	2 617 373
Investments in associates		1 639 843	1 627 223
Loan to an associate		1 442 368	1 524 543
Derivatives	18	8 648 845	7 578 471
TOTAL NON-CURRENT ASSETS		**92 314 221**	**87 953 572**
CURRENT ASSETS			
Inventories	8	8 992 056	9 310 417
Trade receivables	9	16 609 627	16 787 045
Due from related parties		10 751	11 565
Derivatives	18	112 806	2 578 215
Corporate income tax receivable		72 018	1 146
Other receivables		298 509	273 474
Prepaid expenses		420 293	128 851
Accrued income		1 294 733	3 839 054
Cash and cash equivalents	10	8 782 391	12 352 324
TOTAL CURRENT ASSETS		**36 593 183**	**45 282 091**
TOTAL ASSETS		**128 907 404**	**133 235 663**

Condensed consolidated statement of financial position as at 31 December 2022

LIABILITIES AND SHAREHOLDERS' EQUITY

	Note	30.06.2023 (unaudited) EUR	31.12.2022 EUR
SHAREHOLDERS' EQUITY			
Share capital		7 557 211	7 557 211
Share premium		6 358 527	6 358 527
Reserves:			
Long-term investment revaluation reserve		25 745 220	26 123 808
Other reserves		(4 047 266)	(4 047 266)
Retained earnings:			
Retained earnings brought forward from previous years		29 229 760	20 154 194
Profit of the reporting year		3 155 155	10 370 034
TOTAL EQUITY	11	**67 998 607**	**66 516 508**
LIABILITIES			
Non-current liabilities			
Loans from credit institutions	12	15 555 980	17 546 599
Other loans	13	5 228 105	5 491 216
Provisions for asset retirement obligation	14	714 025	683 765
Derivatives	18	5 371 530	5 610 513
Lease liabilities		1 642 500	1 804 362
Deferred income		444 201	496 528
TOTAL NON-CURRENT LIABILTIES		**28 956 342**	**31 632 983**
Current liabilities			
Loans from credit institutions	12	3 981 237	3 862 190
Other loans	13	700 008	700 000
Derivatives	18	463 413	344 042
Lease liabilities		511 164	456 277
Trade and other payables		18 493 394	20 897 107
Deferred income		114 427	132 895
Tax liabilities		5 458 337	4 681 959
Accrued liabilities		2 230 476	4 011 702
TOTAL CURRENT LIABILITIES		**31 952 455**	**35 086 172**
TOTAL LIABILITIES		**60 908 797**	**66 719 155**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**128 907 404**	**133 235 663**

The accompanying notes on pages 33 to 55 are an integral part of these consolidated financial statements.

Riga, 9 August 2023

Jānis Vība
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Jeļena Laurinaviča
Chief Accountant

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VIRŠI

Condensed consolidated statement of cash flow

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Condensed consolidated statement of cash flow

For the six months ended 30 June

	Note	2023 EUR (unaudited)	2022 EUR (unaudited)
Cash flows from operating activities			
Profit before corporate income tax		**3 515 515**	**5 854 374**
Adjustments for:			
Depreciation and amortisation	7	2 345 987	2 123 537
Result of disposal of property and equipment	7	3 110	35 781
Interest income		(161 777)	-
Interest and similar expenses	15	631 107	243 953
Income from investments in associated companies		(12 620)	(10 766)
Impairment of inventories		-	605 386
Net changes in the fair value of derivatives and loans		1 275 423	(1 543 138)
Profit before adjustment for the impact of changes to current assets and current liabilities		**7 596 745**	**7 309 127**
(increase)/decrease of receivables		2 638 088	(8 469 464)
(increase)/decrease in inventories		318 361	(7 094 422)
increase/(decrease) of accounts payable to suppliers contractors and other creditors		(3 472 228)	10 981 530
Gross cash flows from operating activities		**7 080 967**	**2 726 772**
Interest paid	15	(453 881)	(160 116)
Repaid /(paid) corporate income tax		(432 378)	(289 394)
Net cash flows from operating activities		**6 194 708**	**2 277 262**
Cash flows from investing activities			
Acquisition of shares of related or associated companies		-	(10 000)
Purchase of property equipment and intangible assets	7	(5 685 974)	(5 832 644)
Issued to associated companies		-	(1 200 000)
Income from disposal of fixed and intangible assets	7	48 413	81 425
Loans repaid		12 800	12 600
Net cash flows generated from investing activities		**(5 624 761)**	**(6 948 619)**
Cash flows from financing activities			
Dividends paid		(1 659 205)	(1 058 523)
Loans received	15	-	7 000 000
Repayment of loans and leases	15	(2 480 675)	(1 898 601)
Net cash flows from financing activities		**(4 139 880)**	**4 042 876**
Net cash flows for the reporting year		**(3 569 933)**	**(628 481)**
Cash and cash equivalents at the beginning of the year		12 352 324	6 398 863
Cash and cash equivalents at the end of the year	10	**8 782 391**	**5 770 382**

The accompanying notes on pages 33 to 55 are an integral part of these consolidated financial statements.

Riga, 9 August 2023

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Condensed consolidated statement of changes in equity

Condensed consolidated statement of changes in equity

	Note	Share capital	Share premium	Long-term investment revaluation reserve	Other reserves	Retained earnings	Total shareholders' equity
As at 31 December 2021		**7 545 605**	**6 358 527**	**19 648 511**	**(4 172 683)**	**20 633 507**	**50 013 467**
Comprehensive income							
Profit of the reporting period		-	-	-	-	5 589 087	5 589 087
Other comprehensive income							
Provisions for asset retirement obligation	14	-	-	255 074	-	-	255 074
Transfer due to depreciation of accumulated revaluation gain		-	-	(300 111)	-	300 111	-
Transaction with owners of the Group							
Distribution of dividends		-	-	-	-	(1 058 522)	(1 058 522)
Carrying amount as at 30 June 2022 (unaudited)		**7 545 605**	**6 358 527**	**19 603 474**	**(4 172 683)**	**25 464 183**	**54 799 106**
As at 31 December 2022		**7 557 211**	**6 358 527**	**26 123 808**	**(4 047 266)**	**30 524 228**	**66 516 508**
Comprehensive income							
Profit of the reporting period		-	-	-	-	3 155 155	3 155 155
Other comprehensive income							
Provisions for asset retirement obligation	14	-	-	(13 850)	-	-	(13 850)
Transfer due to depreciation of accumulated revaluation gain		-	-	(364 738)	-	364 738	-
Transaction with owners of the Group							
Dividend distribution		-	-	-	-	(1 659 205)	(1 659 205)
Carrying amount as at 30 June 2023 (unaudited)		**7 557 211**	**6 358 527**	**25 745 221**	**(4 047 266)**	**32 384 915**	**67 998 608**

The accompanying notes on pages 33 to 55 are an integral part of these consolidated financial statements.

Riga, 9 August 2023

Jānis Vība
Chairman of the Board

Linda Prūse
Member of the Board

Vita Čirjevska
Member of the Board

Jeļena Laurinaviča
Chief Accountant

THIS DOCUMENT HAS BEEN SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND IT HAS A TIME-STAMP

Notes to the condensed consolidated financial statements

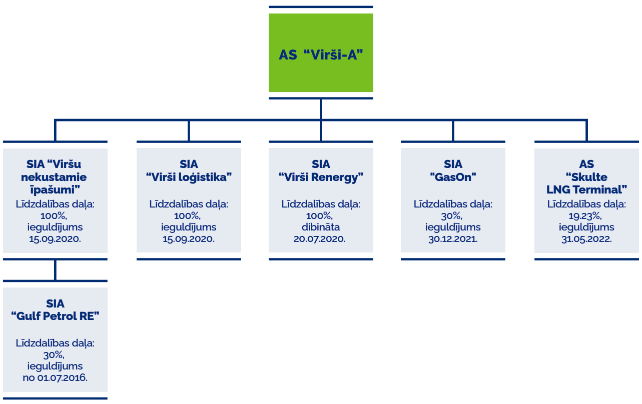
7

1. Information on the Group's activities and summary of significant accounting principles

General information on the Group

AS Virši-A (hereinafter "the Group" or "the Parent Company") was registered with the Enterprise Register of Latvia on 6 January 1995. The legal address is Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads. The Group's shareholders are natural persons, residents of Latvia. The Group is engaged primarily in retail and whole sales of oil products, and retail sales of goods.
The Group Parent Company manages three subsidiaries SIA Viršu nekustamie īpašumi, SIA Virši loģistika and SIA Virši Renergy. The operating activities of the subsidiaries are related to those of the Parent Company and represent development and management of real estate properties, ensuring fuel deliveries to the Group's filling stations, franchises and wholesale clients, and selling natural gas and, from June 2021, also electricity.
The Group's condensed consolidated financial statements for the six-month period ended 30 June 2023 were prepared to provide potential investors with interim information on the financial position and dynamics of Virši in 2023. The financial statements were approved by the decision made by the Board of the Group on 9 August 2023.

Legal structure of the Group



Virši Group entities were consolidated in joint structure during 2020. Prior to the legal restructuring of Virši entities (investment date: 15 September 2020), SIA Virsu nekustamie īpašumi and SIA Virši Loģistika were related parties to AS Virši-A with a single ownership structure.
In May 2023, the merger of SIA Viršu nekustamie īpašumi with its parent company AS Virši-A was started.

Summary of accounting principles used

Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2022. They do not include all the information required for a complete set of financial statements prepared in accordance with IFRS as adopted by the European Union. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of changes in the Group's financial position and performance since the last annual consolidated financial statements.
The currency unit used in the consolidated financial statements is Euro (EUR).
The condensed consolidated interim financial statements cover the period from 1 January 2023 to 30 June 2023.
The statement of comprehensive income was prepared according to the cost function.
The cash flow statement was prepared using the indirect method.
The condensed consolidated interim financial statements were prepared on the historical cost basis, except for the following items: buildings are revalued on a periodic basis and derivatives are measured at fair value.
The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements:

- It is assumed that the Group will continue as a going concern;
- Consistent valuation principles were used with those used in comparable accounting periods;
- Items were valued in accordance with the principle of prudence:
- The consolidated financial statements reflect only the profit generated to the balance sheet date;
- All incurred liabilities and current or prior year losses have been taken into consideration even if discovered within the period after the date of the balance sheet and preparation of the consolidated financial statements;
- All amounts of impairment and depreciation have been taken into consideration irrespective of whether the financial result was a loss or profit;
- Income and expenses incurred during the reporting year have been taken into consideration irrespective of the payment date or date when the invoice was issued or received, expenses were matched with income during the reporting period;
- Assets and liabilities were valued separately.
- All material items, which would influence the decision-making process of users of the consolidated financial statements, have been recognised and insignificant items have been combined and their details disclosed in the notes;
- Business transactions are recorded taking into account their economic contents and substance, rather than the legal form.

Related parties

Related parties represent both legal entities and private individuals related to the Group in accordance with the following rules.

a) A person or a close member of that person's family is related to a reporting entity if that person:
   i. has control or joint control over the reporting entity;
   ii. has a significant influence over the reporting entity; or
   iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:
   i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member):
iii. The entity is controlled, or jointly controlled by a person identified in (a).
iv. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
v. The entity or any member of the group to which the entity belongs provides management personnel services to the entity or the parent of company of the entity.

Related party transaction — a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Principles of consolidation

These consolidated financial statements include the financial position and results of operations of the Parent Company and controlled subsidiaries. A Parent Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
Investments in companies that the Group does not control, but where it has the ability to exercise significant influence (Group's interests are between 20% and 50%) over operating and financial policies, are accounted for using the equity method. These investments are the Group's interests in associates. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates is accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs. The condensed consolidated interim financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated during the process of consolidation. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Segment information

Operating segments are presented in accordance with the classification used in internal reports to the chief operating decision maker. The main decision maker is a person or group of persons who allocates resources to the Group's operating segments and evaluates their activities results. The main decision-maker of the Group is the Board.

The Group does not have separate operating segments and management does not perform analysis at a segment level, as it operates only in Latvia and its business is the running of gasoline stations of similar nature. Refer to Note 2 for revenue split by types of operations. All non-finance non-current assets are placed in Latvia. The Group does not have major customers.

New standards and interpretations

The Group has either not conducted transactions that fall within the scope of the new standards or its accounting policies are already compliant.
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2023, and have not been applied in preparing these consolidated financial statements. The following amended standards and interpretations are not expected to have a significant impact on the Group's financial statements.

- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts;
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Definition of Accounting Estimate (Amendments to IAS 8);
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS 2, Practice Statement);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

Financial instruments

A financial instrument is an agreement that simultaneously results in financial assets of one party and financial liabilities or equity securities of the other party.
The key financial instruments held by the Group are financial assets such as trade receivables, other receivables, loans and financial liabilities such as loans, financial instruments, lease liabilities, accounts payable to suppliers and contractors and other creditors arising directly from its business activities.

Recognition and initial measurement

Trade receivables and debt instruments issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.
A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets

Classification and subsequent measurement

On initial recognition, the Group's financial assets are classified as measured at amortised cost, except derivatives referred to in Section 'Use of derivatives'.
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g., non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.
Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets. In this case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.
The Group does not hold debt or equity investments measured at FVOCI or FVTPL. All Company's financial assets are classified as financial assets at amortised costs, these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.
Any gain or loss on derecognition is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents represent cash in bank accounts and on hand, cash in transit and short-term deposits with initial maturity of up to 3 months.

Financial liabilities

All financial liabilities are initially classified as measured at amortised cost and are subsequently measured at amortised cost using the effective interest method, except derivative liabilities referred to in Section 'Use of derivatives'. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.
The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. A financial liability is derecognised when its terms are modified and the cash flows of the modified liability are substantially different. In this case a new financial liability based on the modified terms is recognised at fair value.
On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Atvasināto finanšu instrumentu izmantošana

In addition to the above risk management policies, the Group uses derivatives to hedge financial risks.
Derivatives are financial instruments whose value changes depending on the interest rate, securities price, foreign exchange rate, price index or rate, credit rating or changes in a similar flexible ratio, and which is impacted by one or several financial risks characteristic of the underlying financial instrument, and transferred from the Group to other parties to the transaction.
The Group uses derivatives such as commodity and currency futures and other derivatives which are initially disclosed at cost and at fair value. Fair value is determined with reference to market prices. All derivatives are recognised as assets if their fair value is positive and liabilities if their fair value is negative. The Group has not applied hedge accounting.

Non-financial assets and liabilities

Intangible assets

Intangible assets are carried at cost amortised over the useful life of the asset on a straight line basis. Should any events or changes in circumstances indicate that the book value of intangible assets is no longer recoverable the respective intangible assets are reviewed for impairment. An impairment loss is recognised when the book value of an intangible asset exceeds its recoverable amount. The Group's intangible assets consist primarily of IT software and developments with useful lives of 3 years.

Property and equipment

(i) Useful lives

Property and equipment is carried at historical cost except for land and buildings that are recognised at revalued value, less accumulated depreciation and impairment. No depreciation is calculated for land. Depreciation is calculated on a straight line basis over the useful life of the asset:

• Buildings and engineering structures	20–40 years
• Equipment and machinery	5–20 years
• Other property and equipment	2–7 years

Depreciation is calculated from the month following the month of putting the asset into use or involvement of it in operating activities. Depreciation should be calculated separately for each component of property and equipment the cost of which is material in comparison with the total cost of the respective asset. If certain components of an item of property and equipment are depreciated on an individual basis, other components of that same asset item are also depreciated on an individual basis. The remainder represents components that are not material individually. Depreciation of the remaining components is calculated using approximation methods to make proper disclosures of the useful life.

The change of the depreciation method is considered a change of an accounting estimate which a medium and large company is required to disclose in the notes to the consolidated financial statements.

Should any events or changes in circumstances indicate that the book value of property and equipment is no longer recoverable the respective assets are reviewed for impairment. In the presence of non-recoverability indications and when the carrying amount of an asset exceeds its recoverable amount, the asset or its cash-generating unit is written down to its recoverable amount. The recoverable amount of property and equipment is the greater of net sales value and value in use. The value in use is estimated by discounting estimated future cash flows at present value using a pre-tax discount rate which reflects the present market forecasts with respect to the changes in the value of the asset and risks associated with it. The recoverable amounts of assets that do not generate independent cash flows are determined for the cash generating unit to which the asset belongs. Impairment loss is recognised in the profit and loss statement as cost of goods sold. Items of property and equipment are derecognised in case of disposal or when future benefits are no longer expected from the use of the respective asset. Any profit or loss arising on derecognition of an item of property and equipment (calculated as the difference between net income from disposal and book value) is recognised in the profit and loss statement of the period of de-recognition.

The cost of leasehold improvements is capitalised and reflected under property and equipment. Depreciation of these assets is calculated over the entire period of lease on a straight line basis. Construction in progress reflects the costs of building items of property and equipment and work in progress and is disclosed at cost. The cost includes the cost of construction and other direct expenses. Construction in progress is not subject to depreciation until the respective assets are completed and put into operation.

(ii) Fair value of property and equipment

Land, buildings and constructions are measured by the Group using the revaluation model. In case the carrying amount of items of property and equipment at the reporting date is lower than the valuation in the balance sheet, and such impairment is expected to be permanent, assets are recognised at the lower value. The revaluation result is recognised in the profit and loss statement except if a previously recognised increase in the value of assets is set off against an impairment loss. In that event, the long term investment revaluation reserve is decreased by the amount of impairment.

In case the value of assets at the balance sheet date is higher than the valuation on the balance sheet, the assets are revalued to the higher value if the increase in value may be assumed to be other than temporary. The increase of value resulting from revaluation is recognised under "Long term investment revaluation reserve". If an increase in the value resulting from revaluation compensates for the impairment of the same asset which was previously recognised as an expense in the profit or loss statement, then the increase resulting from revaluation is recognised as income in the profit or loss statement as incurred. The long term investment revaluation reserve is decreased when the revalued asset is disposed, is no longer utilised, or the increase of value is no longer reasonable. The increase included in the long term investment revaluation reserve under equity is decreased by recognising this decrease in the profit and loss statement accordingly: gradually over the entire lifetime of the revalued asset, each reporting period writing down from reserves an amount equal to the difference between the depreciation, calculated based on the revalued value of the asset, and depreciation calculated based on the cost of the asset.

As at 30 December 2022, certain categories of property and equipment were revalued to fair value. The revaluation was performed for Land, buildings and engineering structures (see Note 7).

Leases

Accounting under IFRS 16

Initially, right-of-use assets are measured at the present value of outstanding lease payments at the date of recognition. Lease payments are discounted using the Group's effective financing rate for the specific category of assets.

Subsequent to initial recognition, right-of-use assets are measured at cost.

Under the cost model, right-of-use assets are measured at cost net of accumulated amortisation and impairment losses. Assets are amortised from the date of acquisition to the end date of lease.

Subsequent to initial recognition, lease liabilities are measured

- by increasing the carrying amount to reflect interest under lease liabilities and
- by reducing the carrying amount to reflect lease payments made.

Right-of-use assets relating to leased assets are disclosed in the statement of financial position separately from other assets and lease liabilities are disclosed separately from other liabilities. Interest expenses on lease liabilities are disclosed in the statement of comprehensive income and other comprehensive income separately from amortisation of the right-of-use asset.

Investments in associates

The Group's interests in equity-accounted investees comprise investments in associates. Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Such investments are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, these individual financial statements include the Group's share of the profit or loss and other comprehensive income of associates on an equity-accounted basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. When the Group's share of losses exceeds the Group's interest in the associate, that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.
Unrealised gains arising from transactions with associates are eliminated against the investment to the extent Group's share in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Inventories

Inventories are stated at the lower of cost or net realisable value. Expenses incurred to deliver inventories to their current location and condition are recognised in the following way:

- raw materials are recognised at purchase cost in line with the FIFO method;
- finished goods and work in progress are carried at direct cost of materials and labour plus production overheads based on the nominal production capacity of equipment net of borrowing costs.

Net realisable value represents the estimated sales price in the ordinary course of business less estimated cost to complete and sell the goods. Net realisable value is reflected as cost less allowances.

Earnings per share

Basic earnings per share is computed by dividing profit available for distribution to common shareholders of the Group by the weighted-average number of common shares outstanding during the reporting period. Diluted earnings per share is determined by adjusting profit available for distribution to common shareholders of the Group and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees. The Group currently does not have dilutive potential ordinary shares arising from share options granted to employees.

Employee benefits

Short-term employee benefits, including salaries and social security contributions, bonuses and vacation benefits are included in net operating expenses on an accrual basis as the services are provided. The Group pays fixed social security contributions to State Social Fund on behalf of its employees during the employment period in accordance with local legal requirements and the Group will have no obligations to pay further contributions relating to employee services in respect of retired employees.

Share-based payments

The Group has rolled out an equity-settled transactions share-based payments programme to its key employees. The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. During 2021, the listed share price was used as a proxy for the share base award fair value determination. That cost is recognised in employee benefits expense, together with a corresponding increase in equity (other reserves), over the period in which the service conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Deferred Tax Liability on unremitted earnings

In Latvia, legal entities are required to pay income tax on profits in accordance with the Corporate Income Tax Law. Corporate income tax would be paid on distributed profits and deemed profit distributions. Corporate income tax on dividends would be recognised in the statement of profit and loss as expense in the reporting period when respective dividends are declared, while, as regards other deemed profit items, at the time when expense is incurred in the reporting year.
The Group has decided to use these beneficial tax regimes to reinvest profit in further development of respective subsidiaries. Therefore, the Group does not plan to distribute dividends from subsidiaries in these countries in the next 5 years. The Group controls the process of dividend distribution and does not plan to distribute dividends from subsidiaries for the year 2023 and after in the foreseeable future: 5-year horizon is considered appropriate given the Group's planning cycle. For this reason, the Group has not recognised deferred tax liabilities.

Provisions for asset retirement obligation

The nature of certain Group's businesses exposes the Group to risks of environmental costs and potential contingent liabilities. The risk arises from manufacture, storage, transport and sale of products that that may be considered to be contaminants when released into the environment. Liability may arise also through the acquisition, ownership or operation of properties or businesses. Provisions can arise from environmental risks, litigation, restructuring plans or onerous contracts. Environmental provisions are recorded based on current interpretations of environmental laws and regulations when the certain conditions are met.

The Group records the present value of the estimated future costs to settle its legal obligations to abandon, dismantle or otherwise retire tangible non-current non-financial assets in the period in which the liability is incurred. Provisions for asset retirement obligation (ARO) are recorded in the consolidated statement of financial position.

As the Group applies revaluation model for property and equipment, valuation of the property and equipment are kept sufficiently up to date such that the carrying amount of the asset does not differ materially from its fair value at the reporting date. The carrying amount of ARO must be reassessed at each financial reporting date. This includes taking into account new information and appropriateness of the discounts rate and other various assumptions, e.g inflation rate.

A change in the provision does not affect the valuation of the asset, because the value of the provision is excluded from the asset valuation.

The change in the provision affects the revaluation difference recognised in equity between the value of property and equipment and the value that would have been recognised under the cost model. Changes in the provision affect the revaluation surplus or deficit previously recognised in respect of that asset. Changes resulting from the unwinding of the discount are recorded in profit or loss.

A decrease in the provision is recognised in other comprehensive income, except to the extent that it reverses a revaluation deficit previously recognised in profit or loss, or when it would result in the depreciated cost of the asset being negative. An increase in the provision is recognised in profit or loss, except to the extent that any credit balance remains in the revaluation surplus in equity.

In case ARO is changed, the Group is assessing possible necessity of revaluation of the asset.

A provision is recognised in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that the obligation will result in payment, and the amount of payment can be estimated reliably.

The existence of criteria for recognizing provisions and the amounts of provisions are determined based on estimates. The amount to be recorded is the best estimate of the cost required to settle the obligation at the reporting date or transfer to a third party. The estimate of the financial impact of the past event requires management judgement, which is based on similar events occurred in the past, and where applicable, the opinion of external experts. Estimates may differ from the actual future amount of the obligation and with respect to the existence of the obligation.

ARO measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The Group's provisions for asset retirement obligation ("ARO") represents management's best estimate of the present value of costs that are expected to be incurred for oil installation decommissioning to the extent that Group is obliged to rectify damage already caused. Based on the current projected retail station life, these costs are not expected to be realised until 3.5–39.5 years' time with the average remaining lifetime being 21.9 years (2022: 22 years).

In June 2023, the Group reviewed the decommissioning requirements and the assumptions used in the present value calculation and adjusted the obligation to EUR 643 119 as at 30 June 2023. The update was prepared by management and resulted in a net decrease of EUR 30 260 from the ARO on 31 December 2022 of EUR 683 765.

As at 30 June 2023, the estimated undiscounted ARO was EUR 1 247 684 (31 December 2022: EUR 1 222 491). In addition to the undiscounted cost estimates, the primary assumptions that affect the present value calculation are the inflation rate and the discount rate. To calculate the current value of liabilities, for the updated information as at 30 June 2023, the Group used short-term inflation rate of 4.60% (until 30 June 2025) and long-term inflation rate of 2.0% (as of 30 June 2025) (on 31 December 2023: short-term inflation rate of 5.0% and long-term rate of 2.0%) and a discount rate of 2.40% (on 31 December 2022: 2.45%). The inflation rate is based on current and projected inflation indices and the discount rate is based on the 30-year German government bond yield representing the long term risk free interest rate. The assessment is particularly sensitive to the inflation assumption. Should the long-term inflation estimate increase to 3% from the 2% used in the assumption, the ARO provision would increase by EUR 203 603 (31 December 2022: EUR 198 189). Should the long-term inflation estimate decrease to 1% from the 2% used in the assumption, the ARO provision would decrease by EUR 154 761 (31 December 2022: EUR 149 601).

Fair value measurement

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 in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of liabilities represents the risk of default.

According to the Group's accounting policies and disclosure requirements fair value should be determined for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is classified into different levels of the fair value hierarchy based on the data used in the measurement approaches:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i. e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

lf the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Fair values have been determined for measurement and disclosure purposes based on the below methods. Where necessary, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Impairment

(a) Financial assets

FFinancial assets are classified in the following measurement categories: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The classification depends on used business model for managing the financial assets and the contractual terms of the cash flows. Assets are classified as current assets, except for maturities over 12 months after balance sheet date. They are classified as non-current assets.
Purchases and sales of financial assets are recognised on the settlement date. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.
Amortised cost category consists of liquid funds, trade receivables and other financial investments (loan receivables — where the business model is to hold the asset to collect the contractual cash flows which represent only payments of principal and interest, and investment in associate).
Financial assets recognised at amortised cost are valued using the effective interest method. Assets at fair value through profit or loss comprise derivatives. Gains or losses from derivatives are included in financial income and expenses.
Liquid funds consists of cash and cash equivalents and current investments. Cash and cash equivalents include cash in hand and bank and other highly liquid investments with original maturities of three months or less.
The Group recognises an allowance for expected credit losses (Further 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, if relevant.
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).
Financial assets for which ECLs are calculated are:

- Trade receivables and other receivables
- • Loans to associate
- • Cash at bank

Liquid funds

	30.06.2023. unaudited	31.12.2022.
Cash and cash equivalents	8 782 391	12 352 324

The maximum exposure to credit risk is the carrying amount of the liquid funds. Note Financial risk management sets out more information about credit risk. All cash equivalents are on demand deposits with reputable credit institutions in Republic of Latvia.

These credit institutions are either investment grade or subsidiaries of investment grade credit institutions. Therefore impairment for liquid funds has not been recognised because the amount is assessed as immaterial both due to on demand nature and the high creditworthiness of the counterparties.

Trade receivables and other receivables

	30.06.2023. unaudited	31.12.2022.
Trade receivables	16 609 627	16 787 045
Due from related parties	10 751	11 565
Other receivables	298 509	273 474
Accrued income	1 294 733	3 839 054
Total trade receivables	**18 213 620**	**20 911 138**

The simplified expected credit loss model is applied for trade receivables according to IFRS 9. Impairment process is based on historical credit loss experience combined with current conditions and forward-looking macroeconomic analysis. The impairment or credit loss is recognised in the consolidated statement of income within other expenses. Due to the nature of short-term trade and other receivables their carrying amount is expected to be equal to their fair value. The maximum exposure to credit risk is the carrying amount of the trade and other receivables. Analysis of trade receivables by age, information about the impairment and credit losses are presented in Note 9.

Other financial investments

	30.06.2023. unaudited	31.12.2022.
Loan to an associate	1 442 368	1 524 543

The fair value of non-current Other financial investments is not materially different from the carrying amount which is also the maximum exposure to credit risk. No impairment losses have been recognised as there are no significant credit risks associated with the receivables.
The associated companies are considered to perform well.
Debt instruments of SIA Gulf Petrol Re are amortised while its properties are leased out to the Group under contracts that fully support the associates ability to repay its creditors;
Gason SIA, in which the Group made an equity investment on 30 December 2021 becoming a 30% shareholder, in 2023 the company continues developing the range of services provided by the Group with mobile natural gas delivery solutions, propane gas solutions, and continues to integrate the corporate governance standards of Virši Group, and collaborate in the development and implementation of strategic objectives.

(b) Non-financial assets

Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the consolidated statement of income to the extent that the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Intangible assets and property, plant and equipment are always tested for impairment, when there is any indication that an asset may be impaired. When the recoverable amount of an asset is less than the carrying amount, an impairment loss is recognised as an expense immediately and the carrying amount is reduced to the asset's recoverable amount. The amounts recoverable from cash generating units' operating activities are determined based on value in use calculations. Preparation of these estimates requires management to make assumptions relating to future expectations. The main assumptions used relate to the estimated future operating cash flows and discount rates.

Contingent liabilities and assets

Contingent liabilities are not recognised in these consolidated financial statements. Contingent liabilities are recognised as liabilities only when there is reasonable likelihood that an outflow of funds will be required. Contingent assets are recognised in these consolidated financial statements to the extent that there is reasonable likelihood that the Group will receive an inflow of economic benefits related to the transaction.

Revenue recognition

Revenue from contracts with customers is recognised when or as the Group satisfies a performance obligation by transferring control of a promised good or service to a customer. The transfer of control is based mainly on transferring risks and rewards according to the delivery terms. The group principally satisfies its performance obligations at a point in time; the amounts of revenue recognised relating to performance obligations satisfied over time are not significant. When, or as, a performance obligation is satisfied, the Group recognises as revenue the amount of the transaction price that is allocated to that performance obligation.
The transaction price is the amount of consideration to which the group expects to be entitled in exchange for the promised goods or services. The transaction price is allocated to the performance obligations in the contract based on standalone selling prices of the goods or services promised. Revenue is presented net of indirect sales taxes such as value added tax, penalties and discounts.
Sale of oil products contains fuel product sales in wholesale and retail stations. Excise taxes included in the retail selling price of finished oil products are included in product sales. The corresponding amount is included in the purchase price of petroleum products and included in Cost of oil products and goods.
Retail sale of goods contains catering and sales of consumer products at Virsi fuel stations besides oil products.

Corporate income tax

According to the Corporate Income Tax Law of the Republic of Latvia the tax rate is 20%, the taxation period is one month and the taxable base, determined by dividing the value of the taxable item by a factor of 0.8, includes:

- distributed profit (dividends calculated, payments equivalent to dividends, conditional dividends) and
- conditionally or theoretically distributed profit (non-operating expenses, doubtful debts, excessive interest payments, loans to related parties, decrease of income or excessive expenses which are incurred by entering transactions at prices other than those on the market that should be calculated using the methodology determined by the Cabinet of Ministers, benefits bestowed by the non-resident upon its staff or board (Council members) regardless of whether the receiving party is a resident or a non-resident, if they relate to the operation of a permanent establishment in Latvia, liquidation quota).

The use of tax losses carried forward from previous periods is limited: it will be possible to utilise 15% these losses to decrease the amount of tax calculated on dividends in the reporting period by not more than 50%.
Deferred income tax is provided in full, using the liability method, on taxes carried forward losses and any temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Under the initial recognition exception, deferred tax is not initially recognised for an asset or liability in transactions a business combination if the transaction, when initially recognised, does not affect profit for financial or tax purposes. Deferred tax liabilities are not recognised for temporary differences on the initial recognition of goodwill and subsequently for goodwill non-deductible for tax purposes. Deferred tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date and is expected to be effective in the periods in which the temporary differences reverse or are used to carry forward losses. Deferred tax is calculated at the rate applicable to retained earnings until a decision is taken on profit distribution. Thus, in Latvia where income tax is payable on distributed profits (such as dividends), the deferred tax liabilities or assets are recognised using the tax rate applicable to retained earnings.
When applicable, deferred tax is recognised at the Group level using the expected tax rate of the future dividend. Deferred tax assets and liabilities are mutually exclusive excluded only within the same company of the Group and only if certain criteria are met.
Deferred tax asset in respect of temporary differences and tax losses carried forward is recognised to the extent that it is probable that taxable profit will be available against which the losses can be utilised.
The carrying amount of the deferred tax asset, if any, is reviewed at each reporting date and reduced to the extent that it is probable that future taxable profits will be available against which the deferred income tax can be utilised realisation of the asset. Future taxable profits and possible amounts of tax benefits are estimated, on the basis of medium-term financial forecasts prepared by management and their extrapolated results. The financial forecast is based on management forecasts that are reliable and reasonable in the circumstances.

Significant accounting estimates and judgement in applying accounting policies

The preparation of financial statements in conformity with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, the actual results ultimately may differ from those estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period, in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty:

- Measurement of fair value of Property and Equipment

More detailed description of fair value measurement is disclosed in Note 1 heading Property and Equipment (ii) Fair value of property and equipment. Also refer to Note 7;

- Expected Credit Loss determination

More detailed description of fair value measurement is disclosed in Note 1 heading Fair value measurement. Also refer to Note 18; piezīmi;

- Provisions for asset retirement obligation

More detailed description of fair value measurement is disclosed in Note 1 heading Provisions. Also refer to Note 18.

- • Measurement of fair value of derivatives

Derivatives are financial instruments whose value changes depending on the interest rate, securities price, foreign exchange rate, price index or rate, credit rating or changes in a similar flexible ratio, and which is impacted by one or several financial risks characteristic of the underlying financial instrument, and transferred from the Group to other parties to the transaction. The Group uses derivatives such as commodity futures and other derivatives. Fair value is determined with reference to market prices. All derivatives are recognised as assets if their fair value is positive and liabilities if their fair value is negative.
During the reporting period, the Group signed 3 hedging agreements; however, hedge accounting was not applied (refer to Note 18 and 19).

2. Net sales from other types of operations

By type of operating activity	For the six months ended 30 June 2023 unaudited	For the six months ended 30 June 2022 unaudited
Sale of oil products	128 627 302	132 200 497
Sales of goods in convenience stores	22 742 710	18 265 830
Energy	10 039 236	3 392 950
Other income	963 355	854 117
TOTAL:	**162 372 602**	**154 713 394**

By geographic market	For the six months ended 30 June 2023 unaudited	For the six months ended 30 June 2022 unaudited
Latvia	160 514 784	153 427 757
Other	1 857 817	1 285 636
TOTAL:	**162 372 602**	**154 713 394**

Contract liabilities under Trade and Other payables	30.06.2023. unaudited	31.12.2022.
Advances received	502 267	643 226
TOTAL:	**502 267**	**643 226**

Accrued income recognised is due from retail business partners for volume discounts granted in the reporting period, as well revenue from marketing activities. Revenue will be received during following quarter depending on compensation period contracted.
The Contract liabilities included in Trade and Other payables primarily relates to the advance consideration received from customers for deliveries of fuel. This will be recognised in revenue when goods are delivered.
No information is provided about remaining performance obligations as at 30 June 2023 or as at 31 December 2022 that have an original expected duration of one year or less, as allowed by IFRS 15.

3. Cost of sales

	For the six months ended 30 June 2023 unaudited	For the six months ended 30 June 2022 unaudited
Cost of oil products and goods	143 147 342	136 704 294
Depreciation and amortisation	54 265	51 903
Impairment of inventories	-	605 386
Personnel expenses	93 238	68 854
Other costs related to property	2 401	2 229
Maintenance and repairs	9 528	17 003
Transport	16 832	15 133
Other expenses	1 117 588	900 219
TOTAL:	**144 441 194**	**138 365 021**

4. Selling expenses

	For the six months ended 30 June 2023 unaudited	For the six months ended 30 June 2022 unaudited
Personnel expenses	6 229 295	5 503 629
Depreciation and amortisation	2 187 178	1 963 073
Other costs related to property	103 669	66 697
Maintenance and repairs of infrastructure	1 241 710	1 303 828
Marketing expenses	428 372	432 156
Transport	430 888	756 951
Other expenses	619 765	503 192
TOTAL:	**11 240 877**	**10 529 526**

5. Administrative expenses

	For the six months ended 30 June 2023 unaudited	For the six months ended 30 June 2022 unaudited
Personnel expenses	878 320	676 159
Depreciation and amortisation	104 542	101 628
Other costs related to property	5 006	2 163
Maintenance and repairs of office	25 838	22 520
Transport	71 353	52 244
Professional services	162 446	153 707
Other expenses	79 161	41 348
TOTAL:	**1 326 666**	**1 049 768**

6. Corporate income tax

Corporate income tax is calculated by the Group according to the laws and regulations of the Republic of Latvia and is recognised in the consolidated statement of comprehensive income when profit is distributed. Significant corporate income tax expenses are not planned as at and for the six months ended 30 June 2023.

7. Property and equipment

	Land, buil-dings and engineering structures	Leasehold improve-ments	Equipment and machinery	Other property and equipment	Construc-tion in progress	Prepay-ments for property and equipment	TOTAL
Historical cost							
As at 31 December 2021	56 616 419	1 619 202	10 304 233	6 389 542	1 825 057	108 200	76 862 653
Additions	1 759 456	134 407	494 456	415 935	2 268 547	396 084	5 468 885
Reclassifications	2 328 776	21 916	455 439	226 440	(3 032 572)	-	-
Cost of disposed items of property and equipment	(139 503)	-	(69 147)	(117 670)	-	-	(326 319)
As at 30 June 2022 (unaudited)	60 565 148	1 775 525	11 184 982	6 914 247	1 061 033	504 284	82 005 219
As at 31 December 2022	70 170 641	1 821 136	12 917 150	7 441 858	616 589	269 993	93 237 367
Additions	534 057	72 262	466 844	679 455	2 637 810	1 123 308	5 513 736
Reclassifications	332 435	176 024	123 197	195 931	(803 529)	(24 059)	-
Cost of disposed iterms of property and equipment	(40 307)	-	(6 810)	(92 991)	(1 550)	-	(141 658)
As at 30 June 2023 (unaudited)	70 996 827	2 069 422	13 500 381	8 224 253	2 449 320	1 369 242	98 609 445
Accumulated depreciation and impairment							
As at 31 December 2021	7 267 079	515 009	4 061 274	3 273 321	-	-	15 116 683
Depreciation, depreciation of the revalued part*	679 894	84 177	422 590	577 253	-	-	1 763 914
Impairment	(40 489)	-	(53 216)	(115 408)	-	-	(209 113)
30 June 2022 (unaudited)	7 906 484	599 186	4 430 648	3 735 166	-	-	16 671 484
31 December 2022	9 014 363	690 128	4 896 456	4 249 800	-	-	18 850 747
Depreciation depreciation of the revalued part*	799 099	93 786	536 937	640 164	-	-	2 069 987
Impairment	-	-	(6 578)	(89 777)	-	-	(96 355)
30 June 2023 (unaudited)	9 813 462	783 914	5 426 816	4 800 187	-	-	20 824 379
Carrying amount							
30 June 2022 (unaudited)	52 658 664	1 176 338	6 754 334	3 179 081	1 061 033	504 284	65 333 735
30 June 2023 (unaudited)	61 183 365	1 285 508	8 073 565	3 424 066	2 449 320	1 369 242	77 785 066

* On 30 December 2022 the Group revalued property and equipment under category Land, buildings and engineering structures to fair value; revaluation of property and equipment the acquisition date of which does not exceed 18 months was not carried out. The result of revaluation (appreciation) was recorded in the accounting records of the Group on 30 December 2022. The revaluation was performed by certified real estate appraiser SIA Arco Real Estate. The valuation was based on the income and cost approach.

The carrying amount of Land, buildings and engineering structures, had it not been presented at fair value as at 30 June 2023, would have been EUR 34 579 836 (30 June 2022: EUR 40 961 675), if the entire category has been accounted using the cost method.
All fixed assets under Land, buildings and engineering structures represent Level 3 fair value hierarchy.

The following table shows the valuation technique used in measuring the fair value of Land, buildings and engineering structures, as well as the significant unobservable inputs used for 2022:

Type	Fair value, EUR (2022)	Valuation approach	Significant unobservable inputs	Inter-relation between significant unobservable inputs and fair value measurement
Filling stations with equipment	58 743 702	Discounted cash flows	– Discount rate ranging from 11% to 15.5% - Capitalisation rate ranging from 10% to 14.0% - Gross revenue assumption in year one for fuel sales from EUR 40 000 to EUR 326 000 - Gross revenue assumption in year one for store sales from EUR 54 000 to EUR 333 000 - Revenue growth from year 4 or 5 - 0.5% p.a. (exception the new petrol station with 5%-7% p.a. growth)	Market value may increase (reduce) if: – Discount rate reduces (increases); – Initial gross revenue from fuel and store sales increases (reduces); – Maintenance cost of filling stations reduces (increases); – Forecast of changes in revenue increases (reduces).
Oil storage facility / railway network	2 015 000	Discounted cash flows /	– Discount rate 17.5% – Capitalisation rate ranging from 7.5% to 15% – Rent of 0.11 EUR/m2 (land) to 3.0 EUR/t (fuel) – Leased land/ transhipment capacity 49-95% annual utilisation – Revenue growth from year 3 0.5% - 1.0% p.a.	Market value may increase (reduce) if: – Discount / capitalisation rate reduces (increases); – Rent increases (reduces); – Occupancy increases (reduces); – Maintenance cost of real estate properties reduces (increases); – Forecast of changes in revenue increases (reduces).
Commercial buildings	387 000	Discounted cash flows	– Diskonta likme 12,0%, kapitalizācijas likme 10,0 – 10,5% – Īre 1,00 - 3,00 EUR/m^2 – Iznomāto telpu īpatsvars ir 65-90% gadā – Ieņēmumu pieaugums no 3. gada - 0,5% - 1,0% gadā	Market value may increase (reduce) if: – Discount rate reduces (increases); – Rent increases (reduces); – Occupancy increases (reduces); – Maintenance cost of real estate properties reduces (increases); – Forecast of changes in revenue increases (reduces).

8. Inventories

	30.06.2023. unaudited	31.12.2022.
Auxiliary materials	648 625	526 556
Fuel	5 420 334	6 123 329
Other goods	2 632 021	2 413 920
Prepayments for inventories	291 076	246 612
TOTAL:	**8 992 056**	**9 310 417**

On 30 June 2023, the net realisable value of inventories was equal to the carrying amount. No provisions are recognised for impairment of inventories.

9. Trade receivables and accrued income

	30.06.2023. unaudited	31.12.2022.
Carrying amount of trade receivables	17 050 204	17 376 609
Impairment allowance	(440 577)	(589 564)
TOTAL:	**16 609 627**	**16 787 045**

	30.06.2023. unaudited	31.12.2022.
Accrued income	1 294 733	3 839 054
TOTAL:	**1 294 733**	**3 839 054**

The increase in accrued revenue is due to an increase in the electricity sales business line, where invoices for provided services are issued and paid the month after the service has been provided.

Overdue days under IFRS 9	ECL rate	Receivable	Impairment	ECL rate	Receivable	Impairment
		30.06.2023. unaudited			31.12.2022.	
Not past due	0.10%	17 213 179	17 213	0.10%	20 195 093	20 195
Overdue by 1–30	0.20%	451 908	904	0.20%	509 847	1 020
Overdue by 31–60	1.00%	86 873	869	0.90%	47 265	425
Overdue by 61–90	2.70%	50 503	1 364	2.40%	19 228	461
Overdue by 91–180	6.2%	9 981	619	6.6%	28 811	1 902
Overdue by 181–360	11.30%	46 280	5 230	11.80%	90 995	10 737
Overdue by> 360	100.00%	240 071	240 071	100.00%	324 737	324 737
TOTAL:	**18 148 216**	**269 095**		**21 215 663**	**359 228**	**392 156**
Individual allowance			171 481			230 336
Total doubtful debt allowance			440 577			589 564

Impairment allowance for trade receivables as at 31.12.2021	**520 446**
Additions	130 752
Release of allowances due to write-offs	(25 762)
Impairment allowance for trade receivables as at 30.06.2022 (unaudited)	**625 436**

Impairment allowance for trade receivables as at 31.12.2022	**589 564**
Decrease of allowance due to decrease of long-term liabilities	(11 436)
Release of allowances due to write-offs	(137 551)
Impairment allowance for trade receivables as at 30.06.2023 (unaudited)	**440 577**

Impairment allowances are assessed by the Group based on the ECL rate and valuation of individual debtors.

Condensed Consolidated Interim Financial Statements of AS Virši-A for the six-month period ended 30 June 2023 prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union
Registration number: 40003242737. Address: Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads, Latvia, LV-5101

10. Cash and cash equivalents

	30.06.2023. unaudited	31.12.2022.
Cash in bank and on hand	7 100 032	11 181 653
Money in transit	1 682 359	1 170 671
TOTAL:	**8 782 391**	**12 352 324**

11. Share capital and reserves

Share capital

Share capital of the Group in 2023 is EUR 7 557 210.50 (2022: EUR 7 545 605), comprised of 15 114 421 shares (2022: 15 091 209). Nominal value per share is EUR 0.50 (2021: EUR 0.50). All shares are fully paid up.
During 2020 and 2021, reorganisation was carried out in AS "Virši-A" and its Group companies. The shareholders invested 100% shares of subsidiaries in Parent as a contribution in kind. The investment was valued by external valuers and their valuation results laid the basis for recognising the increase in share capital. In May 2023, the merger of SIA "Viršu nekustamie īpašumi" into the parent company started.
The Group's management intends to propose to the shareholders to distribute dividends of up to 20% of profit for 2023 during 2024 with the amount of dividends to be specified after the closure of the financial year ended on 31 December 2023.

Earnings per share

The calculation of earnings per share before dilution was based on the following profit attributable to ordinary shareholders and weighted number of ordinary shares outstanding.

	For the six months ended 30 June 2023 unaudited	For the six months ended 30 June 2022 unaudited
Profit for the year, attributable to the owners of the Company	3 155 155	5 589 087
Weighted average number of shares	15 114 421	15 091 209
Earnings per share	0.42	0.74

The calculation of earnings per share after dilution was based on the following profit attributable to ordinary shareholders and weighted number of ordinary shares outstanding adjusted for the impact of the share option programme.

	For the six months ended 30 June 2023 unaudited	For the six months ended 30 June 2022 unaudited
Profit for the year, attributable to the owners of the Company	3 155 155	5 589 087
Weighted average number of shares	15 144 510	15 144 510
Earnings per share	0.42	0.74

Share options

Alongside the IPO the Group management developed a new share option programme aimed at supporting growth through motivating senior management and appreciating the contribution of long-term employees.
The share option program was established for key management personnel and senior employees. Under this program holders of options are entitled to receive shares on the vesting date. The total amount of share options granted is 53,301. The share acquisition price has been determined at EUR 0 and all the shares vest during a three year period. In determining the fair value of the share options the key input was the share price of the Company at the moment of granting the share options.
During 2022, a first option conversion was carried out, increasing the share capital and issuing additional 23 212 shares for a total value of EUR 11 606.

Revaluation reserve

The revaluation reserve relates to Land, buildings and engineering structures valuation at fair value.

	30.06.2023. unaudited	31.12.2022.
Revaluation reserve from Land, buildings and engineering structures revaluation	25 745 221	26 123 808
	25 745 221	**26 123 808**

Balance as at 31.12.2021	**19 648 511**
Changes in revaluation reserves	(300 111)
Reclassification to retained earnings (Consolidated statement of Changes in Equity)	(300 111)
Provisions for asset retirement obligation (Note 14)	255 074
Balance as at 30.06.2022 (unaudited)	**19 603 474**
Balance as at 31.12.2022	**26 123 808**
Changes in revaluation reserves	(378 588)
Reclassification to retained earnings (Consolidated statement of Changes in Equity)	(364 738)
Provisions for asset retirement obligation (Note 14)	(13 850)
Balance as at 30.06.2023 (unaudited)	**25 745 221**

Other reserves

During 2020, the Group's legal structure was reorganised. On 15 September 2020, the shareholders made an in-kind contribution into the share capital of the Parent Company by investing shares of a number of companies. Prior to the contribution, all these entities were under common control. As all these entities were under common control it was decided to present these consolidated financial statements as if the Group had been formed prior to 1 January 2019. When the in-kind contribution was made in 2020

the increase in the registered share capital was determined based on the fair value of the entities determined by an independent appraiser. However, the condensed consolidated interim financial statements of the Group subsidiaries were incorporated in these consolidated financial statements based on the accounting principles described in Section Summary of significant accounting policies. Therefore, upon the legal reorganisation an increase in the share capital was recorded and a corresponding decrease to other reserves in the amount of EUR 5 764 520 was recorded.
During 2021, the Group developed an employee share option programme. In 2022, the Group continued its employee share option programme by making the first conversion of options, increasing the share capital and issuing additional 23 212 shares for EUR 11 606, and EUR 137 023 were diverted to Other reserves to pay share capital at the date of conversion.

Balance as at 31.12.2021	**(4 172 683)**
Employee share option scheme	-
Balance as at 30.06.2022 (unaudited)	**(4 172 683)**

Balance as at 31.12.2022	**(4 047 266)**
Employee share option scheme	-
Balance as at 30.06.2023 (unaudited)	**(4 047 266)**

12. Loans from credit institutions

Long-term	30.06.2023. unaudited	31.12.2022.
Loan from a credit institution registered in the Republic of Latvia	**15 555 980**	**17 546 599**
Including:		
Long term part of loans repayable in up to 5 years	15 555 980	17 546 599
Long term part of loans repayable after 5 years until maturity	-	-

Short-term	30.06.2023. unaudited	31.12.2022.
Loan from a credit institution registered in the Republic of Latvia	**3 981 237**	**3 862 190**
TOTAL:	**19 537 218**	**21 408 789**

During 2023, the Group has not taken any new loans (2022: EUR 7.0 million).
As at the reporting date the Group has access to an unutilised credit line facility which is prolonged on an annual basis. The facility limit is EUR 3.0 million.
All loans carry interest rates of 3M or 6M EURIBOR plus an added rate. The added rates range from 1.55 % to 1.80%.
The loans are secured by mortgages of underlying real estate properties (filling stations with all equipment), a commercial pledge, a financial pledge and guarantees by group companies and shareholders.
Loan covenants:
According to the contracts, the Group should provide credit institutions with their annual reports, pro-forma balance sheets, income statements, statements of cash flows and insurance policies of mortgaged properties. These covenants are met.
The DSCR ratio should be at least 1.50, Net Debt/EBITDA should not exceed 3.00. These ratios are complied with.
A certain turnover should be ensured in the accounts with the financing credit institution. These covenants are complied with.

13. Other loans

Long term:	30.06.2023 unaudited	31.12.2022
Interest-free, unsecured loan from the shareholders	5 228 105	5 491 216
TOTAL other long-term loans:	**5 228 105**	**5 491 216**
Short term:		
Interest-free, unsecured loan from the shareholders	700 008	700 000
TOTAL other short-term loans:	**700 008**	**700 000**
TOTAL other loans:	**5 928 113**	**6 191 216**
Nominal value total:		
Interest-free, unsecured loan from the shareholders	6 805 520	7 155 524

Shareholder loans are carried at amortised cost using the discounted cash flow method with the difference between the nominal and fair value of the loan at initial recognition recognised under Other reserves. Finance expenses include interest expenses on the loan in accordance with the amortised cost method. The term structure of shareholder loans is disclosed according to budgeted cash flows and according to effective loan agreements, and according to covenants of the loan agreement with a financial institution.

14. Provisions for asset retirement obligation

Balance as at 31 December 2021	**855 010**
Provision made during the period	36 301
Change in discount rate	(280 344)
Change in estimates	25 270
Unwinding of discounting	6 883
Balance as at 30 June 2022 (unaudited)	**643 119**

Balance as at 31 December 2022	**683 765**
Provision made during the period	-
Change in discount rate	7673
Change in estimates	6 177
Unwinding of discounting	16 410
Balance as at 30 June 2023 (unaudited)	**714 025**

The Group's accounting policy concerning the asset retirement obligation refer to Note 1.

15. Movements in financing

	Loans from credit institutions	Other loans	Lease liabilities	Total
Carrying amount as at 31 December 2022	**21 408 789**	**6 191 216**	**2 260 639**	**29 860 644**
Loan principal repaid	(1 871 571)	(350 004)	-	(2 221 575)
Lease payments	-	-	(259 100)	(259 100)
Cash flows from financing activities	**(1 871 571)**	**(350 004)**	**(259 100)**	**(2 480 675)**
New loans from credit institutions	-	-	-	-
New lease liabilities	-	-	132 402	132 402
Interest expenses	438 698	-	15 183	453 881
Financial expenses including unwinding of the discount	-	86 901	19 723	106 624
Interest paid	(438 698)	-	(15 183)	(453 881)
Total changes in liabilities	**(1 871 571)**	**(263 103)**	**(106 975)**	**(2 241 649)**
Carrying amount as at 30 June 2023 (unaudited)	**19 537 218**	**5 928 113**	**2 153 664**	**27 618 995**
Carrying amount as at 31 December 2021	**16 842 407**	**6 782 854**	**2 352 196**	**25 977 457**
Loan principal repaid	(1 133 476)	(350 004)	-	(1 483 480)
Lease payments	-	-	(415 121)	(415 121)
Cash flows from financing activities	**(1 133 476)**	**(350 004)**	**(415 121)**	**(1 898 601)**
New loans from credit institutions	7 000 000	-	-	7 000 000
New lease liabilities	-	-	398 336	398 336
Interest expenses	153 326	-	6 790	160 116
Financial expenses including unwinding of the discount	-	61 033	15 922	76 955
Interest paid	(153 326)	-	(6 790)	(160 116)
Total changes in liabilities	**5 866 524**	**(288 971)**	**(864)**	**5 576 690**
Carrying amount as at 30 June 2022 (unaudited)	**22 708 931**	**6 493 883**	**2 351 332**	**31 554 147**

Finance expenses:	For the six months ended 30 June 2023 unaudited	For the six months ended 30 June 2022 unaudited
Change in the value of a financial instrument	1 275 423	-
Interest expense from unwinding the discount on a shareholder loan	86 901	61 033
Interest expenses for bank loans	73 166	153 326
Interest expenses for a lease	423 515	22 712
Other financial expenses	34 906	6 882
TOTAL:	**1 893 911**	**243 953**

16. Financial commitments, guarantees or other contingencies

The Group companies are not involved in litigation proceedings dealing with claims raised against AS Virši-A or its subsidiaries. The Group has raised claims against debtors to recover receivables and there are ongoing litigations. Any recoveries obtained from litigation are recognised as revenue as received.
As at the reporting date there are no significant financial commitments, guarantees or other contingencies, except those referred to above.

17. Related party transactions

The Group had transactions with related parties during the reporting year. The most significant transactions and amounts are the following:

		Transac-tions in the period ended	Balance outstanding		
Related party:	Description of transaction	30.06.2023 unaudited	30.06.2022 unaudited	30.06.2023 unaudited	30.06.2022 unaudited
Associated companies					
Balances	Loan to an associate	-	-	1 440 400	1 445 345
Balances	Accrued interest	-	-	10 620	7 161
Balances	Right-of-use assets	-	-	382 343	468 304
Balances	Lease liabilities	-	-	(362 147)	(487 158)
Comprehensive income	Revenue from sales of natural gas	-	184 337	-	-
Comprehensive income	Purchase cost of electricity	40 201	14 576	-	-
Comprehensive income	Interest income	(3718)	(4 579)	-	-
Companies related through shareholders					
Balances	Prepayments for services	-	-	-	117 937
Balances	Receivable for services	-	-	-	564
Comprehensive income	Income from agent services	-	11 143	-	-
Comprehensive income	Fuelling services	-	(1 114 306)	-	-
Shareholders					
Balances	Shareholder loan	-	-	(5 928 113)	(6 493 883)
Comprehensive income	Interest expenses	(86 901)	(94 514)	-	-
Members of the Board and Council					
Balances	Remuneration payable	-	-	(26 346)	(23 804)
Balances	Compulsory state social security payable	-	-	(8 885)	(7 792)
Comprehensive income	Remuneration	(246 233)	(276 475)	-	-
Comprehensive income	Social security contributions	(83 777)	(65 204)	-	-

18. Fair value of financial assets and liabilities

Financial assets and liabilities measured at fair value

The table below analyses the fair values of financial assets and liabilities not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised.

As at 30 June 2023 (unaudited)	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total fair values EUR	Total carrying amount EUR
Financial assets					
Derivatives	-	-	8 761 651	8 761 651	8 761 651
Loan to an associate	-	-	1 201 968	1 201 968	1 201 968
Financial liabilities					
Derivatives	-	-	5 834 943	5 834 943	5 834 943

As at 31 December 2022	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total fair values EUR	Total carrying amount EUR
Financial assets					
Derivatives	-	-	10 156 686	10 156 686	10 156 686
Loan to an associate	-	-	1 271 343	1 271 343	1 271 343
Financial liabilities					
Derivatives	-	-	5 954 555	5 954 555	5 954 555

Financial assets and liabilities not measured at fair value

The table below analyses the fair values of financial assets and liabilities not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised.

As at 30 June 2023 (unaudited)	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total fair values EUR	Total carrying amount EUR
Financial assets					
Loan to an associate	-	-	-	240 400	240 400
Trade receivables	-	-	-	16 609 627	16 609 627
Due from related parties	-	-	-	10 751	10 751
Other receivables	-	-	-	298 509	298 509
Cash and cash equivalents	-	-	-	8 782 391	12 352 324
Financial liabilities					
Loans from credit institutions	-	-	18 078 871	18 078 871	19 537 218
Other loans	-	-	5 928 113	5 928 113	5 928 113
Trade and other payables	-	-	-	18 493 394	18 493 394

Other financial investments, trade receivables and cash and cash equivalents have their remaining maturities of less than one year and carry no interest, thus, their fair value is deemed not to materially differ from their carrying amounts.

As at 31 December 2022	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total fair values EUR	Total carrying amount EUR
Financial assets					
Loan to an associate	-	-	-	253 200	253 200
Trade receivables	-	-	-	16 787 045	16 787 045
Due from related parties	-	-	-	11 565	11 565
Other receivables	-	-	-	273 474	273 474
Cash and cash equivalents	-	-	-	12 352 324	12 352 324
Financial liabilities					
Loans from credit institutions	-	-	19 488 992	19 488 992	21 408 789
Other loans	-	-	5 517 498	5 517 498	6 191 216
Trade and other payables	-	-	-	20 897 107	20 897 107

Other financial investments, trade receivables and cash and cash equivalents have their remaining maturities of less than one year and carry no interest, thus, their fair value is deemed not to materially differ from their carrying amounts.

The table below sets out the valuation techniques used to measure Level 3 fair value, as well as the most significant unobservable inputs for assets and liabilities, where fair value adjustment is applied:

Type	Valuation approach	Significant unobservable data
Derivatives — electricity swap agreements	Discounted cash flow, NPV	Spread in the Latvian market in excess of Nord Pool market price data
Derivatives — loan to the associate	Discounted cash flows, Black-Scholes model	The applied discount rate is based on the market prices of comparable loans of the associate during the accounting period. The value of the associate is assumed as at acquisition. Volatility of the fair value of the associate.
Trade receivables	Expected credit loss, IFRS 9	Expected credit loss assumptions are described in Note 9.
Other loans	Discounted cash flow, NPV	Loan repayment structure assumed in line with budgeted cash flows and bank loan covenants. Discount rate applied based on weighted average discount rate for non-banking institutions at loan issue period, reported by Bank of Latvia evaluated against the cost of funds for collateralised borrowings of the Group.
Lease liabilities	Discounted cash flow, IFRS 16	Lease liabilities are calculated according to IFRS 16; discount rates are applied according to the type of leased asset and available financing rate for specific assets from financial institutions.

	Derivatives – electricity swap agreements	Derivatives — loan to the associate
Balance as at 31 December 2021	**1 061 416**	**-**
Gain included in finance income		
Net change in fair value (unrealised)	1 543 138	-
Acquisitions	-	-
Balance as at 30 June 2022	**2 604 553**	**-**
Balance as at 31 December 2022	**4 202 131**	**1 278 089**
Gain included in finance income		
Net change in fair value (unrealised)	(548 040)	(76 122)
Realised value of financial instruments	(727 384)	-
Financial revenue from calculated interest	-	13 273
Interest paid over the period (transactions)	-	(13 347)
Balance as at 30 June 2023 (unaudited)	**2 926 707**	**1 201 894**

The fair value gain described above is recognised in the consolidated statement of comprehensive income under net finance income in the corresponding period.
Sensitivity analysis for derivative swap agreements can be found in Note 19.

In the beginning of 2022, the Group issued a loan with equity conversion features that required the loan to be carried at fair value. The key unobservable assumptions pertain to the applicable discount rate for the loan element and the value of the option element included — the value of the associate and the volatility of its fair value. Sensitivity analysis of alternative assumptions is presented in the table below:

Unobservable element	Change in assumption	Impact of the change
Change in the interest rate of loan element	+/-100 basis points	+/-23 648
Changes in the fluctuation of fair value of the associated company	10%	+/- 45 458
Changes in the value of associated company	10%	+/- 39 682

19. Management of financial risks

The Group is exposed to financial risks. Financial risks include market risk, credit risk and liquidity risk. Below is a description of each of these financial risks and a summary of the methods used by the Group to manage these risks. Exposure to those risks arises in the normal course of the Group's business.
The Group's financial assets and liabilities, including, trade receivables, inventories, cash and cash equivalents, loans, trade payables are exposed to financial risk as follows:

- Market risk: risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities, including interest rate risk and currency risk;
- Credit risk: risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of counterparties and any debtors to which Group is exposed, in the form of counterparty default risk, or market risk concentrations;
- Liquidity risk: risk that the Group is unable to realise its assets in order to settle its financial obligations when they fall due.

Market risk

Currency risk and revaluation

The functional and reporting currency of the Group is Euro (EUR), the national currency of the European Union. The objective of foreign exchange risk management in Viršl group is to limit the uncertainty created by changes in foreign exchange rates on the future value of cash flows and earnings, and in the Group's balance sheet. Generally, this is done by contracting transactions in Euro or hedging currency risks in contracted. All transactions in foreign currencies are revalued to Euro in accordance with the reference exchange rate published by the European Central Bank on the transaction date. All monetary assets and liabilities denominated in foreign currencies are translated to Euro in accordance with the reference exchange rate published by the European Central Bank on the last day of the reporting period. Differences arising on payments in currencies or disclosures of assets and liabilities using exchange rates other than those used for initial booking of transactions are recognised in the profit or loss statement at net amount.
There are no assets in foreign currencies as at the reporting date. There has been no change to policies in relation to currency risk management during the reporting period.

Interest rate risk

The Group is exposed to a interest rate risk both in the short- and long-term. A change in interest rates may affect the cost of funds borrowed by the Group as well as the size of cash flows.
To mitigate this risk, the Group is constantly monitoring market conditions, taking measures to improve the debt structure by reaching an optimum balance between fixed and variable interest rates, controlling the need for additional financing. There has been no change to policies in relation to interest rate risk management during the reporting period.
A reasonably possible change of 100 basis points in interest rates as at 30 June 2023 and 30 June 2022 would have increased (decreased) profit (loss) before taxes by +/- EUR 218 028 (2022: +/- EUR 185 234). This analysis assumes that all other variables remain constant.

Credit risk

Credit risk is the risk that the Group may incur financial losses if parties to the transactions fail to fulfil their liabilities under the contracts, and credit risk is primarily connected with trade receivables and investment securities.
Credit risk mainly arising from the potential failure of the counterparty to meet its contractual payment obligations, and the risk depends on the creditworthiness of the counterparty as well as the size of the exposure.
For the purposes of credit risk management, the Group's management has established a procedure that sales of goods or services against payments on delivery or completion are made based on client evaluation procedures and certain limits are set on the amount of such sales. Management has developed a credit policy which includes regular control procedures over debtors to ensure identification of problems on a timely basis.
The objective of credit policy and risk management is to minimise the losses incurred as a result of a counterparty not fulfilling its obligations. Limits, mandates and management principles for credit and counterparty risk are covered in the Corporate risk management policy and separate principle and instruction level documents.
The amount of risk is quantified as the expected loss to Group in the event of a default by the counterparty. Credit risk limits are set at the Group level, designated by different levels of authorisation, which are responsible for counterparty risk management within these limits. When determining the credit lines for sales contracts, counterparties are screened and evaluated vis-à-vis their creditworthiness to decide whether an open credit line is acceptable or collateral, for example, a letter of credit, bank guarantee or parent guarantee has to be posted. In the event that collateral is required credit risk is evaluated based on a financial evaluation of the party posting the collateral. If appropriate in terms of the potential credit risk associated with a specific customer, advance payment is required before delivery of products or services.
The carrying amount of financial assets represents the maximum exposure to credit risk.
Detailed disclosures and ageing analysis are provided in the note to the consolidated financial statements concerning trade receivables. (refer to Note 9.)
Financial instruments are used by the Group and it is potentially exposed to concentrations of credit risk which consist primarily of cash equivalents, over-the-counter production contracts and trade receivables. The cash and cash equivalents are held with banks, which are generally highly rated.
There has been no change to policies in relation to credit risk management during the reporting period.

Liquidity risk

Liquidity risk is defined as financial distress or extraordinarily high financing costs arising due to a shortage of liquid funds in a situation where business conditions unexpectedly deteriorate and require financing. The objective of liquidity risk management is to maintain sufficient liquidity and to ensure that it is available fast enough to avoid uncertainty related to financial distress at all times. The Group's liquidity is managed on a centralised basis and monitored continuously. Target Net debt/ EBITDA ratio on consolidated basis is 1.5 – 2.5 and IFRS 16 unadjusted current ratio is above 1. 0.
The principal source of liquidity of the Group is expected to be cash generated from operations. In addition, the Group seeks to reduce liquidity and refinancing risks by maintaining a diversified maturity profile in its loan portfolio. (See also Note 12).
Certain other limits have also been set to minimise liquidity and refinancing risks. There has been no change to policies in relation to liquidity risk management during the reporting period.

As at 30 June 2023 (unaudited)	Carrying amount	Contractual cash flows (undiscontd.)	0–6 months	6–12 months	1Y	2Y	3Y	4Y	5Y	Over 5 years
Loans from credit institutions	19 537 218	21 066 705	2 373 847	2 332 352	8 312 465	1 990 072	6 057 970	-	-	-
Other loans	5 928 113	6 805 520	350 004	350 004	700 008	700 008	700 008	700 008	700 008	2 605 472
Derivatives	5 834 943	5 834 943	(817 646)	1 281 059	1 821 007	1 568 604	1 339 092	642 828	-	-
Trade and other payables	18 493 394	18 493 394	18 493 394	-	-	-	-	-	-	-
Accrued liabilities	2 230 476	2 230 476	2 230 476	-	-	-	-	-	-	-
Total financial liabilities	**52 024 144**	**54 431 038**	**22 630 075**	**3 963 415**	**10 833 480**	**4 258 684**	**8 097 070**	**1 342 836**	**700 008**	**2 605 472**

As at 31 December 2022	Carrying amount	Contractual cash flows (undiscontd.)	0-6 months	6-12 months	1Y	2Y	3Y	4Y	5Y	Over 5 years
Loans from credit institutions	21 408 789	23 362 597	2 295 892	2 373 847	7 282 770	4 365 761	4 763 940	2 280 387	-	-
Other loans	6 191 216	7 155 524	350 004	350 004	700 008	700 008	700 008	700 008	700 008	2 955 476
Derivatives	5 954 555	5 954 555	152 938	191 104	1 405 713	1 462 920	1 391 088	1 350 792	-	-
Trade and other payables	20 897 107	20 897 107	20 897 107	-	-	-	-	-	-	-
Accrued liabilities	4 011 702	4 011 702	4 011 702	-	-	-	-	-	-	-
Total financial liabilities	**58 463 369**	**61 381 485**	**27 707 643**	**2 914 955**	**9 388 491**	**6 528 689**	**6 855 036**	**4 331 187**	**700 008**	**2 955 476**

Commodity price risk

Commodity price risks in the Group are affected by fuel business market prices for crude oil, renewable feedstocks and by introduction of CNG in the market for natural gas and electricity. While the consumption of natural gas and electricity in the Group remained relatively low to the reporting date, crude oil price is a significant driver behind changes in turnover and cost of products. Crude oil price is subject to significant fluctuations resulting from a periodic over-supply and supply tightness in various regional markets, coupled with fluctuations in demand globally and in the local market. The results of operations of the Group in any given period are principally driven by the demand for and prices of oil and renewable products relative to the supply and cost of raw materials. These factors drive operational performance and cash flows in fuel business of the Group.

In order to balance the Group's dependence on crude oil price globally, there are several measures in place — the Group owns a storage facility that helps mitigate short term market volatilities; sustainable fuel alternatives are introduced to the market and the Group's portfolio (CNG, electricity); there is ongoing development of retail stores and catering in fuel stations. This results in the decrease of both the proportion of profits driven by crude oil products and the dependence on prices on these products. There has been no change to policies in relation to commodity price risk management during the reporting period, other than outlined below.

In June 2021, the Group commenced supplies of electricity to the B2B business segment. Currently the amounts traded are insignificant, but the aim is to develop the new business segment in the future. The dependence on fluctuations of electricity prices in the market is reduced by the Group by hedging supplies. Derivative value as at 30 June 2023 recognised in the balance sheet is EUR 2 926 707 (2022: EUR 2 604 552). A possible change of 5 euros in the spread to Nord Pool commodity price on 30 June 2023 would have increased (decreased) profit before taxes by +/- EUR 197 405 (2022: +/- EUR 230 162). This analysis assumes that all other variables remain constant.

Capital risk management

The Group's objective in managing capital is to maintain a capital structure that ensures access to capital markets at all times despite the business cycle of the industry in which the Group operates. Despite the fact that the Group does not have a public credit rating, the Group's target is to have a capital structure equivalent to investment grade rating. The capital structure of the Group is reviewed by the Board of Directors on a regular basis. The Group monitors its capital on the basis of leverage ratio, the ratio of interest-bearing net debt to interest-bearing net debt plus total equity. Interest-bearing net debt is calculated as interest-bearing liabilities less liquid funds. Over the cycle, the Group's leverage ratio is likely to fluctuate, and it is the Group's objective to maintain the leverage ratio below 45%. There has been no change to policies in relation to capital management during the reporting period.

20. Profit distribution

The Board suggests that profit for the reporting period be retained undistributed and used for further development. The decision concerning profit distribution will be made by the Shareholder' Meeting after the closure of 2023.

21. Subsequent events

No significant subsequent events have occurred that would materially impact the financial statement presentation.

Riga, 9 August 2023

Jānis Vība	**Linda Prūse**	**Vita Čirjevska**	**Jeļena Laurinaviča**
Chairman of the Board	Member of the Board	Member of the Board	Chief Accountant

THIS DOCUMENT HAS BEEN SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND IT HAS A TIME-STAMP