AS “Virši-A”

Unified Registration Number 40003242737

Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2024

PREPARED IN ACCORDANCE WITH IAS 34 INTERIM FINANCIAL REPORTING AS ADOPTED BY THE EUROPEAN UNION

Contents

General information

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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, Jānis Rušmanis, Ruta Plūme, Andris Priedītis, Ilgvars Zuzulis,	holder of 21.01% shares holder of 20.86% shares holder of 20.83% shares holder of 12.80% shares holder of 12.80% shares
Members of the Board	Jānis Vība, Linda Prūse, Vita Čirjevska,	Chairman of the Board Member of the Board Member of the Board
Members of the Council	Jānis Riekstiņš, Jānis Rušmanis, Ilgvars Zuzulis, Andris Priedītis, Ivars Blumbergs, Silva Skudra,	Chairman of the Council Deputy Chairman of the Council Member of the Council Member of the Council Member of the Council Member of the Council
Information on subsidiaries	**Virši loģistika, SIA** Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads, LV-5101, Latvia Holding: 100,00%, from 15.09.2020 **Virši Renergy, SIA** Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads, LV-5101, Latvia Holding: 100,00%, from 20.07.2020 **Virši Lietuva, UAB** Vito Gerulaičio g. 10-101, LT-08200, Vilnius, Lithuania Holding: 100.00%, from 23 January 2024 **CRYO Baltic, AS** Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads, LV-5101, Latvia Holding: 100.00%, from 4 April 2024	
Information on associates	**Gulf Petrol RE SIA** Brivibas iela 85 - 5, LV-1001, Riga Holding: 30.00%, from 1 July 2016 **GasOn SIA** Biekensalas iela 21, LV-1004, Rīga Holding: 30.00%, from 30 December 2021 **Skulte LNG Terminal AS** Dzirnavu iela 36, LV-1010, Rīga Holding: 19.23%, from 31 May 2022	
Chief Accountant	Jeļena Laurinaviča	

VIRŠI

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 the wholesale and retail of oil products, and in the retail of car goods and groceries through the network of its own sales points. The Group also sells electricity and natural gas.

The registered and paid up share capital of AS Virši-A is EUR 7 564 730 and it consists of 15 129 460 shares.

Nominal value per share is EUR 0.50. Effective from 11 November 2021, the shares of AS Virši-A have been listed on the alternative market First North of Nasdaq Riga.

The Group's activities during the reporting period

In the first half of 2024, the Group successfully continued implementing its development strategy, which involved objectives such as the expansion of the network and 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 convenience stores of the "Virši" network. The Group's objective from 2021 has been to become a fully-fledged energy company offering its clients an opportunity to purchase electricity and other energy products.

Financial results for first half of 2024

Total turnover

185.3 mill. €
+14.1%

Convenience store turnover

26.2 mill. €
+15.2%

Fuel turnover

144.8 mill. €
+12.6%

Energy turnover

13.1 mill. €
+30.8%

Net profit

2.0 mill. €
-36.4%

EBITDA

6.3 mill. €
-16.9%

Investments

10.2 mill. €
+78,6%

Station network

76
+4

Employees

862
+97

The Group's activities during the reporting period

During the first half of 2024, the Group continued its focused development towards the 2026 strategic objectives, closing the period with 79 filling stations, out of which 76 were filling stations (hereinafter — filling stations), EBITDA** of EUR 13.7 million and a profit of EUR 5.1 million. During the reporting period, the network was expanded with 4 new sales points.

During the reporting period, the Company's gross profit was generated by three core business segments: fuel products, convenience stores, and energy.

In terms of gross profit, sales of fuel products grew by 10.3% reaching EUR 9.4 million in the first half of 2024. In the first five months of 2024, retail sales of fuel in Latvia grew by 0.9% in terms of tonnes of fuel sold, while the Group's business grew by 6.3%. In the first half of 2024, the market remained highly competitive, but the Group continued increasing its market share expanding its the coverage and recognition of filling stations.

In the first half of 2024, the convenience stores of the Group reached the most rapid gross profit growth out of all the operating segments, increasing by 16% or EUR 1.3 million, compared to 2023, reaching EUR 9.2 million. The result was achieved by increasing turnover, and offering customers a quality and diversified range of products and services, and diversifying sales channels.

The third business segment, energy, earned gross profit of EUR 0.3 million in the first half of 2024 (2023: gross profit of EUR 1.4 million). The energy segment continued developing and servicing corporate clients, and developing the retail portfolio launched at the end of 2023. With the wholesale electricity prices declining, drop in electricity trading turnover and wholesale transaction mark-ups was observed. Mark-ups in the Baltic wholesale market in the first half of 2024 are comparable to the mark-ups before the energy price crisis in 2022 and 2023.

The Group's EBITDA** in the first half of 2024 reached EUR 6.3 million, an increase of 16.9% compared to 2023 (2023 EBITDA: EUR 7.6 million). The decrease in EBITDA was due to a significant drop in gross profit in the energy segment, and an increase in labour costs, especially in the network of filling stations. The increase in labour costs is related to the review of remuneration of the Group's employees and the increase of the number of employees in the network of filling stations. In the first half of 2024, the Group continued developing new lines of business that are expected to generate financial returns in future periods.

The net profit figure for the reporting period was affected by the decrease of EBITDA by EUR 1.2 million compared to the first half of 2023, and increase in depreciation and amortisation expenses related to the development of the network of filling stations. The change in the value of the financial instrument is recognised at cost of EUR 0.5 million (2023: EUR 1.3 million). The Group's net profit was also affected by the EURIBOR dynamics in 2024 compared to the first half of 2023. The financial result of the Company for the reporting period is a profit of EUR 2.0 million (2023: EUR 3.2 million), while the Adjusted Net Profit from Operating Activities of the Group, excluding the result from the revaluation of financial instruments, amounted to EUR 2.5 million in 2024 (2023: EUR 4.4 million). The Group's net profit ratio* is 1.1% in the reporting period and 1.9% in 2023.

* Net profit ratio is calculated by dividing the Group's profit for the reporting period with net sales;

** EBITDA – the Group's profit before finance income and finance costs, depreciation and amortization, and corporate income tax.

The Group's activities during the reporting period

The summarised brief GDP estimate shows that Latvian economy grew by only 0.1% in the first half of 2024, however, even in such economically and geopolitically challenging conditions, the Group continued successfully implementing its long-term strategic plan by increasing market shares in all its business segments.

The year 2024 is a period of significant investment for the Company, when we plan to expand our network with 9 new sales points in Latvia and our first filling station in Lithuania. We also continue growing the Company's portfolio of electricity customers and preparing for the construction of the biomethane facility in 2025. The considerable work and financial resources that have been currently invested in these projects are a long-term investment to ensure continued growth of the Company's market share, profitability and the sustainability of its business model in the future.

Jānis Vība,
Chairman of the Board


VIRŠI
VĒJSTIKLU ŠĶIDRUMS

Challenges during the reporting period included labour market and electricity market conditions. The labour market can still be characterised by intense competition for labour, rising labour costs, and strong seasonality. However, with the wholesale electricity prices declining in the energy market, significant drop in electricity trading turnover and wholesale transaction margins was observed. Margins in the Baltic wholesale market are comparable to those before the energy price crisis.

The reporting period is the first full half-year when we have serviced households. Building a portfolio of household customers is a long-term process, and in its early years the cost of attracting customers exceeds the revenue from the existing portfolio.

Vita Čirjevska,

Member of the Board

Strategic Development and Investments

In the first half of 2024, according to the Group's development strategy and the plant to continue developing its network, the Group's total investments amounted to EUR 10.2 million (in the first half of 2023: EUR 5.7 million).

During the reporting period, the Group actively continued expanding its network of filling stations by building new stations, redeveloping the existing filling stations and opening new sales points.

Development of sales points

According to the plan to continue developing the network of filling stations and convenience stores, four new stores were opened during the reporting period: in Sigulda, Salaspils and two in Riga (on Viskaļu Street and in the Origo Shopping Centre). Moreover, in the first half of 2024, the Group introduced significant improvements to the filling stations in Gulbene, Jugla and Dzelme to ensure compliance with the requirements of energy efficiency and customer service. In the end of the reporting period, construction process of 6 new filling stations continued in Ķekava, Valmiera, Riga (Berģi, Valdeķu Street and Lauvas Street), and

development of IT infrastructure, and equipping of site and store was carried out at the first filling station with the "Virši" brand in Lithuania which will start operating in the beginning of the second half of the year.

In addition to the construction of new facilities, technical, interior and exterior improvements were carried out in the Group's network stations during the reporting period, and the Group is actively pursuing the development of new facilities in order to achieve its strategic objectives. At the end of the first half of 2024, the Group's network consists of 79 sales points, including 76 filling stations.

Development of the network of EV charging and CNG stations

As part of its strategic development, the Group has assigned a key role to decarbonisation of transport or reducing the environmental impact of the transport sector. Since 2019, the Group has offered two types of alternative fuels in its network of filling stations: compressed natural gas or CNG (since 2019) and "Virši" electrical vehicle charging stations (since 2022). In the first half of 2024, the network of electrical vehicle charging stations was significantly developed with support from the European Union's Alternative Fuels Infrastructure Facility (AFIF). In the first half of 2024, three charging stations were installed (in Jelgava, Salaspils and Riga, Satekles Street), in total 12 charging points. In all three locations a powerful connection 909A has been built. The charging station on Satekles Street is currently the most powerful charging point in Riga, providing up to 320 kW of charging power.

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

Construction of biomethane production facility

In 2023 and 2024, the Group's management team in cooperation with partners has carried out significant work in preparing for the construction project of biomethane production facility. Within the framework of the project, an agreement was concluded with the European Energy Efficiency Fund (eeef) to attract EUR 12 million for the development of a biomethane production facility in Latvia. The biomethane facility, that is scheduled to be launched in the second half of 2025, will use closed anaerobic fermentation technology recycling agricultural manure into biomethane. Biomethane is an essential part of the broader strategy of the European Union to achieve energy independence and transition to the future of sustainable energy. This and other similar projects across Europe help to prevent the release of methane in the atmosphere from the agricultural sector, meanwhile reducing dependence on imported natural gas.

The biomethane produced at the new facility will be fed in the gas transmission network. The facility is designed to produce 60 GWh of biomethane per year and is expected to substitute up to 5.6 million cubic metres of natural gas per year.

ESG governance

In the first half of 2024, the Group was assessed based on the requirements of the Corporate Sustainability Reporting Directive (CSRD) and double materiality analysis was performed, assessing the Group's most significant aspects based on the European Sustainability Reporting Standard (ESRS). In the first half of 2024, the Group has defined long-term sustainability goals.

During the reporting period, the Group was ranked 1st in the fuel sector in Latvia in the Sustainable Brand Index* that is Europe's largest independent brand sustainability study, and 7th in the overall brand ranking as one of the most sustainable companies in Latvia in 2024.

SUSTAINABLE BRAND INDEX

* Sustainable Brand Index is Europe's largest independent study on sustainable brand image, measuring consumer perception of the sustainable image of well-known and recognised brands in the Nordic, Baltic and Dutch markets.

Social responsibility initiatives

One of the Group's key social responsibility objectives for 2024 was **support to 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 matter. During the reporting period, the Group supported the Association's activities by donating to the SOS Children's Villages programme "Having a baby" that provides emotional and informational support to parents of new-borns from PEP (first emotional support for mothers).

An information campaign was carried out internally, in the media channels and in the filling station network environment with the aim of raising awareness of the SOS Children's Villages Association and the need for support.

With the involvement of the Group's employees, a clean-up was organised in the SOS Children's Village in Valmiera to clean up the village area together.

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

Employees

Following the dynamic economic and labour market situation in the retail sector, one of the Group's priorities during the reporting period was to improve the well-being of its staff. To facilitate employee loyalty, satisfaction, and engagement in the development of the company's working environment, the Group's internal training platform explores the efficiency of artificial intelligence and other digital tools in everyday processes, and continues training employees in environmental protection and other segments. To promote transfer of knowledge and employee engagement at the Group's stations, the first event for new employees "Get to Know Virši" was organised for the Group's franchises.

In 2021, when the Group set its long-term strategic goals and target indicators, the Group set a target indicator for the well-being and engagement of employees to receive a ranking in TOP 10 in the TOP Employer Survey conducted by CV Online. In the first half of 2024, the Group received its highest ever ranking — 4th place in the overall ranking, and 2nd place in the sales sector in the Top of Employers 2023 (in the survey of the previous year, AS "Virši-A" ranked 38th in the overall ranking).

We are thankful for the high appreciation and recognition! This is a meaningful feedback for us. Over the past year, we have worked to make our powerful employees feel even more the care from "Virši". The work spirit of our team is a strong foundation to continue on the development path of "Virši". "Virši" is a work place with a special energy.

Laura Miezere,

Head of Human Resources

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.

Condensed consolidated Interim Financial Statements of AS Virši-A for the six-month period ended 30 June 2024 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

Subsequent events

In July 2024, AS "Virši-A", in cooperation with project partners, concluded an agreement on attraction of funding for the construction of biomethane production facility in Latvia. The project will be funded by the European Energy Efficiency Fund (eeef), providing a long-term loan. It is estimated that total project expenses will be more than EUR 15 million, out of which the funding provided by the eeef will amount to EUR 12 million.

Riga, 8 August 2024

Jānis Vība
Chairman of the Board

Linda Prūse
Member of the Board

Vita Čirjevska
Member of the Board

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Condensed consolidated statement of comprehensive income

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Condensed consolidated statement of comprehensive income

For the six months ended 30 June

	Note	2024 EUR (unaudited)	2023 EUR (unaudited)
Net sales	2	185 323 115	162 372 602
Cost of sales	3	(166 210 506)	(144 441 194)
Gross profit	4	**19 112 609**	**17 931 408**
Selling expenses	5	(13 551 572)	(11 240 877)
Administrative expenses	6	(1 926 146)	(1 326 667)
Other operating income		110 825	217 986
Other operating expenses		(379 310)	(334 202)
Results from operating activities		**3 366 406**	**5 247 648**
Financial revenue	19	285 398	161 777
Finance expenses	16	(1 454 108)	(1 893 910)
Profit before corporate income tax		**2 197 696**	**3 515 515**
Corporate income tax for the reporting year	7	(191 095)	(360 360)
Profit after corporate income tax		**2 006 601**	**3 155 155**
Profit of the reporting year		**2 006 601**	**3 155 155**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Change in asset retirement obligation	12, 15	124 228	(13 850)
Other comprehensive income		**124 228**	**(13 850)**
Total comprehensive income		**2 130 829**	**3 141 305**
Earnings per share before and after dilution	12	0.13	0.21
EBITDA per share		0.42	0.50

The accompanying notes on pages 30 to 52 are an integral part of these consolidated financial statements.

Riga, 8 August 2024

Jānis Vība
Chairman of the Board

Linda Prūse
Member of the Board

Vita Čirjevska
Member of the Board

Jeļena Laurinaviča
Chief Accountant

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Condensed consolidated statement of financial position as at 30 June 2024

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Condensed consolidated statement of financial position as at 30 June 2024

ASSETS

NON-CURRENT ASSETS	Note	30.06.2024 (unaudited) EUR	31.12.2023 EUR
Intangible assets		641 347	681 285
Property and equipment	8	91 407 124	84 172 408
Right-of-use assets		3 972 660	3 982 995
Investments in associates		1 469 364	1 526 888
Loan to an associate		217 858	227 600
Derivatives	19	2 602 192	5 489 142
TOTAL NON-CURRENT ASSETS		**100 310 545**	**96 080 318**

CURRENT ASSETS			
Inventories	9	13 885 594	12 012 407
Trade receivables	10	21 342 730	17 406 273
Due from related parties		65 912	24 399
Derivatives	19	1 280 292	1 826 880
Loan to an associate		1 696 399	1 696 399
Other receivables		268 817	336 208
Prepaid expenses		630 716	307 402
Accrued income	10	2 192 240	1 352 430
Cash and cash equivalents	11	5 335 925	4 717 284
TOTAL CURRENT ASSETS		**46 698 625**	**39 679 682**

TOTAL ASSETS		**147 009 170**	**135 760 000**

Condensed consolidated statement of financial position as at 30 June 2024

LIABILITIES AND SHAREHOLDERS' EQUITY

	Note	30.06.2024 (unaudited) EUR	31.12.2023 EUR
SHAREHOLDERS' EQUITY			
Share capital		7 564 730	7 564 730
Share premium		6 358 527	6 358 527
Reserves:			
Long-term investment revaluation reserve		24 604 524	24 894 951
Other reserves		(4 005 654)	(4 005 654)
Retained earnings:			
Retained earnings brought forward from previous years		34 369 576	29 671 926
Profit of the reporting year		2 006 601	5 098 804
TOTAL EQUITY	12	**70 898 304**	**69 583 284**
LIABILITIES			
Non-current liabilities			
Loans from credit institutions	13	18 280 099	14 488 095
Other loans	14	4 692 374	4 962 627
Provisions for asset retirement obligation	15	692 792	763 654
Derivatives	19	1 602 011	4 142 486
Lease liabilities		730 671	689 965
Deferred income		339 545	391 872
TOTAL NON-CURRENT LIABILTIES		**28 563 257**	**27 727 879**
Current liabilities			
Loans from credit institutions	13	10 052 663	7 058 504
Other loans	14	700 000	700 000
Derivatives	19	766 835	1 107 171
Lease liabilities		730 671	689 965
Trade and other payables		21 424 529	16 800 257
Deferred income		115 899	112 632
Tax liabilities		8 694 507	6 894 834
Accrued liabilities		5 062 505	5 085 474
TOTAL CURRENT LIABILITIES		**47 547 609**	**38 448 837**
TOTAL LIABILITIES		**76 110 866**	**66 176 716**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**147 009 170**	**135 760 000**

The accompanying notes on pages 30 to 52 are an integral part of these consolidated financial statements.

Riga, 8 August 2024

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 cash flow

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Condensed consolidated statement of cash flow

For the six months ended 30 June

	Note	2024 EUR (unaudited)	2023 EUR (unaudited)
Cash flows from operating activities			
Profit before corporate income tax		**2 197 696**	**3 515 515**
Adjustments for:			
Depreciation and amortisation		2 947 589	2 345 987
Result of disposal of property and equipment		9 038	3 110
Interest income		(285 398)	(161 777)
Interest and similar expenses	16	823 390	631 107
Income/loss from investments in associates		57 524	(12 620)
Net change in fair value of derivatives and loans		552 727	1 275 423
Profit before adjustment for the impact of changes to current assets and current liabilities		**6 302 566**	**7 596 745**
(increase)/decrease of receivables		5 073 703	2 638 088
(Increase) or decrease in inventories		1 873 187	318 361
Increase/(decrease) of accounts payable to suppliers, contractors and other creditors		(7 114 976)	(3 472 228)
Gross cash flows from operating activities		**6 134 480**	**7 080 966**
Interest paid	16	(675 101)	(453 880)
Repaid /(paid) corporate income tax		(191 095)	(432 378)
Net cash flows from operating activities		**5 268 284**	**6 194 708**
Cash flows from investing activities			
Purchase of property, equipment and intangible assets		(10 156 448)	(5 685 974)
Income from disposal of fixed and intangible assets		9 038	48 413
Loans repaid		13 000	12 800
Interest received		285 398	-
Net cash flows generated from investing activities		**(9 849 012)**	**(5 624 761)**
Cash flows from financing activities			
Dividends paid		(815 809)	(1 659 205)
Loans received	16	8 431 333	-
Repayment of loans and leases	16	(2 416 155)	(2 480 675)
Net cash flows from financing activities		**5 199 369**	**(4 139 880)**
Net cash flows for the reporting year		**618 641**	**(3 569 933)**
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	11	**5 335 925**	**8 782 391**

The accompanying notes on pages 30 to 52 are an integral part of these consolidated financial statements.

Riga, 8 August 2024

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 changes in equity

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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 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	15	-	-	(13 850)	-	-	(13 850)
Transfer due to depreciation of accumulated revaluation gain		-	-	(364 738)	-	364 738	-
Transaction with owners of the Group							
Profit distribution		-	-	-	-	(1 659 205)	(1 659 205)
Balance amount as at 30 June 2023 (unaudited)		**7 557 211**	**6 358 527**	**25 745 220**	**(4 047 266)**	**32 384 916**	**67 998 608**
As at 31 December 2023		**7 564 730**	**6 358 527**	**24 894 952**	**(4 005 654)**	**34 770 730**	**69 583 284**
Comprehensive income							
Profit of the reporting period		-	-	-	-	2 006 601	2 006 601
Other comprehensive income							
Provisions for asset retirement obligation	15	-	-	124 228	-	-	124 228
Transfer due to depreciation of accumulated revaluation gain		-	-	(414 655)	-	414 655	-
Transaction with owners of the Group							
Profit distribution		-	-	-	-	(815 809)	(815 809)
Balance amount as at 30 June 2024 (unaudited		**7 564 730**	**6 358 527**	**24 604 524**	**(4 005 654)**	**7**	**70 898 305**

The accompanying notes on pages 30 to 52 are an integral part of these consolidated financial statements.

Riga, 8 August 2024

Jānis Vība
Chairman of the Board

Linda Prūse
Member of the Board

Vita Čirjevska
Member of the Board

Jeļena Laurinaviča
Chief Accountant

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Notes to the condensed consolidated interim financial statements

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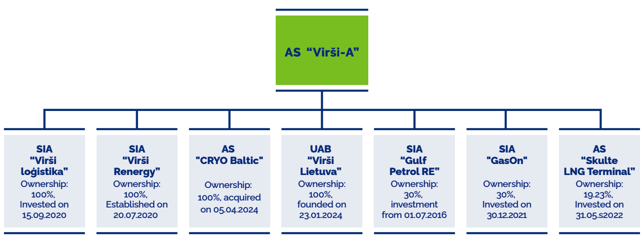
1. Information on the Group's activities and summary of significant accounting principles

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.
In 2023, the Group's parent company managed two subsidiaries, SIA Virši loģistika and SIA Virši Renergy, and, from January 2024, also the subsidiary in Lithuania, UAB Virši Lietuva, and AS CRYO Baltic in April. The operating activities of the subsidiaries are related to those of the Parent Company and represent ensuring fuel deliveries to the Group's filling stations, franchises and wholesale clients, and selling natural gas and also electricity.
The Group's condensed consolidated financial statements for the six-month period ended 30 June 2024 were prepared to provide potential investors with interim information on the financial position and dynamics of Virši in 2024. The financial statements were approved by the decision made by the Board of the Group on 08 August 2024.

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. On 26 November 2023, the subsidiary SIA Viršu nekustamie īpašumi was merged with the parent company AS Virši-A. The merger was effected to ensure effective governance of the Group.
In a strategic move to expand the network of filling stations in Lithuania, on 23 January 2024 a new subsidiary was established in Lithuania, UAB Virši Lietuva.

Summary of material accounting principles

Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2024 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 2023. 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 2024 to 30 June 2024.
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 consolidated 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's management performs segment analysis at the gross margin level for three core business segments - retail and wholesale fuel products, convenience store goods and services, and energy.

The breakdown of revenue, cost of sales and gross margin by line of business is presented in Notes 2 and 4.

All non-finance non-current assets are placed in Latvia. The Group does not have major customers.

Jauni standarti un interpretācijas

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 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted; however, the Group has not early adopted the new standards in preparing these consolidated financial statements. The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

– Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
– Non-current Liabilities with Covenants (Amendments to IAS 1);
– Lease liability in a Sale and Leaseback (Amendments to IFRS 16);
– Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7);
– Lack of Exchangeability (Amendments to IAS 21).

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 Company'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.

Subsequent to initial recognition, financial assets are reclassified only when the Group changes the business model under which those financial assets are managed. In such a case, all such financial assets are reclassified on the first day of the reporting period in which the business model is changed.

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 hich 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.

Use of derivatives

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

Useful lives of property and equipment

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 fixed assets the cost of which is material in comparison with the total cost of the respective asset. If certain components of an item of fixed assets 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 fixed assets 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 fixed assets 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 fixed assets (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 fixed assets

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 recognized 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.
During 2024, no individual categories of property and equipment were not revalued to fair value.

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 unrealized 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 cost.

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 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 elected to use the benefits of this favourable tax regime and invest profit into further development of its subsidiaries. To that end, the Group does not plan to distribute dividends from the Latvian subsidiaries during the course of the future five years. 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 arise 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 2.5–40.0 years' time with the average remaining lifetime being 23.1 years (2023: 23 years).

In June 2024, the Group reviewed the decommissioning requirements and the assumptions used in the present value calculation and adjusted the obligation to EUR 692 792 as of 30 June 2024. The update was prepared by management and resulted in a net decrease of ARO by EUR 70 862 from that recognised as at 31 December 2023 of EUR 763 654.

As at 30 June 2024, the estimated undiscounted ARO was EUR 1 329 158 (31 December 2023: EUR 1 318 455). 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 present value of the liabilities, for the updated information as at 30 June 2024 the Group used a short-term inflation rate of 2.00% (until 30 June 2026) and a long-term inflation rate of 2.0% (from 30 June 2026) (31 December 2023: short-term inflation rate of 5.0% and long-term inflation rate of 2.00%) and a discount rate of 2.68% (31 December 2023: 2.26%). The inflation rate is based on 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 216 232 (31 December 2023: EUR 297 321). Should the long-term inflation estimate decrease to 1% from the 2% used in the assumption, the ARO provision would decrease by EUR 157 970 (31 December 2023: EUR 169 276).

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).

If 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

Financial 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. Those 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

	30.06.2024 unaudited	31.12.2023
Cash and cash equivalents	5 335 925	4 717 284

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

	30.06.2024 unaudited	31.12.2023
Trade receivables	21 342 730	17 406 273
Due from related parties	65 912	24 399
Other receivables	268 817	336 208
Accrued income	2 192 240	1 352 430
Total trade receivables	**23 869 699**	**19 119 310**

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 10.

Other financial investments

	30.06.2024 unaudited	31.12.2023
Loan to an associate	1 923 999	1 923 999
Total other financial investments	**1 923 999**	**1 923 999**

The fair value of non-current and current 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;
- SIA Gason, in which the Group made a capital contribution as at 30 December 2021 becoming the holder of 30% equity, in 2023 and in the first half of 2024 suffered a loss due to unfavourable changes in prices of energy resources and client demand. To mitigate losses, the Company has invested in and developed a new propane gas supply and biomethane gas transportation business; the diversified portfolio of assets and customers allows the company to plan positively for future operating cash flows. In 2024, the Company continues integrating the Group's corporate governance standards and to collaborate in the development and implementation of strategic objectives.

(b) (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 oil products and included in Cost of oil products and goods.
In addition to oil products, sales of goods in convenience stores include catering and sales of consumer products at Virsi fuel stations.
Sales of energy includes sales of electricity products and guarantees of origin.

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).

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 the IFRS Accounting Standards as adopted by the European Union 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 8;

Expected Credit Loss determination

- More detailed description of fair value measurement is disclosed in Note 1 heading Fair value measurement. Also refer to Note 19;
- Provisions for asset retirement obligation

More detailed description of fair value measurement is disclosed in Note 1 heading Provisions for asset retirement obligation. Also refer to Note 19.

- • 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 certain hedging agreements; however, hedge accounting was not applied (refer to Note 19 and 20).

2. Net sales

By type of operating activity	For the six months ended 30 June 2024 unaudited	For the six months ended 30 June 2023 unaudited
Sale of oil products	144 792 278	128 627 302
Sales of goods in convenience stores	26 192 804	22 103 847
Energy	13 128 164	10 039 236
Other income	1 209 869	1 602 217
TOTAL:	**185 323 115**	**162 372 602**

By geographic market	For the six months ended 30 June 2024 unaudited	For the six months ended 30 June 2023 unaudited
Latvia	183 873 366	160 514 784
Other	1 449 749	1 857 818
TOTAL:	**185 323 115**	**162 372 602**

Contract liabilities under Trade and Other payables	30.06.2024 unaudited	31.12.2023
Advances received	515 102	542 693
TOTAL:	**515 102**	**542 693**

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 2024 or as at 31 December 2023 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 2024 unaudited	For the six months ended 30 June 2023 unaudited
Cost of oil products and goods	164 505 510	143 147 342
Depreciation and amortisation	51 585	54 265
Personnel expenses	94 830	93 238
Other costs related to property	99 045	2 401
Maintenance and repairs	47 580	9 528
Transport	147 555	16 832
Other expenses	1 264 401	1 117 588
TOTAL:	**166 210 506**	**144 441 194**

4. Segment information

The Group's management assesses the operating results at the gross profit level in three segments: retail and wholesale of fuel products, convenience store goods and services, and energy, where gross profit in 2024 and 2023 was mainly driven by electricity sales in the B2B segment.

For the six months ended 30 June 2024	Sale of fuel products	Convenience stores	Energy	Other income
Net sales from types of operations	144 792 278	26 192 804	13 128 164	1 209 870
Cost of goods sold, cost of goods or services	135 402 024	16 954 430	12 872 506	981 547
Gross profit	**9 390 254**	**9 238 374**	**255 658**	**228 323**
Gross margin	**6.5%**	**35.3%**	**1.9%**	**18.9%**
Gross profit margin	**49.1%**	**48.3%**	**1.3%**	**1.2%**

For the six months ended 30 June 2023	Sale of fuel products	Convenience stores	Energy	Other income
Net sales from types of operations	128 627 302	22 742 710	10 039 236	963 355
Cost of goods sold, cost of goods or services	120 112 971	14 779 916	8 678 891	869 416
Gross profit	**8 514 331**	**7 962 794**	**1 360 345**	**93 939**
Gross margin	**6.6%**	**35.0%**	**13.6%**	**9.8%**
Gross profit margin	**47.5%**	**44.4%**	**7.6%**	**0.5%**

5. Selling expenses

	For the six months ended 30 June 2024 unaudited	For the six months ended 30 June 2023 unaudited
Personnel expenses	7 740 196	6 229 295
Depreciation and amortisation	2 664 882	2 187 178
Other costs related to property	105 042	103 669
Maintenance and repairs of infrastructure	1 506 696	1 241 710
Marketing expenses	444 828	428 372
Transport	367 214	430 888
Other expenses	722 714	619 765
TOTAL:	**13 551 572**	**11 240 877**

6. Administrative expenses

	For the six months ended 30 June 2024 unaudited	For the six months ended 30 June 2023 unaudited
Personnel expenses	1 126 313	878 320
Depreciation and amortisation	231 122	104 542
Other costs related to property	21 717	5 006
Maintenance and repairs of office	58 399	25 838
Transport	79 971	71 353
Professional services*	334 107	162 446
Other expenses	74 517	79 162
TOTAL:	**1 926 146**	**1 326 667**

7. 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 2024.

8. Property and equipment

	Land, buildings 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							
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	332 436	176 024	123 197	195 931	(803 529)	(24 059)	-
Cost of disposed items of property and equipment	(40 307)	-	(6 810)	(92 991)	(1 550)	-	(141 658)
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**
31 December 2023	**77 090 711**	**692 024**	**15 507 928**	**9 602 275**	**2 970 663**	**1 182 802**	**107 046 403**
Additions	329 541	8 314	131 562	473 218	8 702 606	62 690	9 707 931
Reclassifications	4 773 400	44 514	1 075 338	471 163	(6 083 178)	(281 237)	-
Cost of disposed items of property and equipment	-	-	(24 671)	(47 649)	-	-	(72 320)
30 June 2024 (unaudited)	**82 193 652**	**744 852**	**16 690 157**	**10 499 007**	**5 590 091**	**964 255**	**116 682 014**
Accumulated depreciation and impairment							
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	536 938	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**
31 December 2023	**11 306 478**	**228 357**	**5 951 294**	**5 387 865**	**-**	**-**	**22 873 994**
Depreciation, depreciation of the revalued part*	972 080	34 523	748 964	692 613	-	-	2 448 180
Impairment	-	-	(23 821)	(23 463)	-	-	(47 284)
30 June 2024 (unaudited)	**12 278 558**	**262 880**	**6 676 437**	**6 057 015**	**-**	**-**	**25 274 890**
Carrying amount							
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**
30 June 2024 (unaudited)	**69 915 094**	**481 972**	**10 013 720**	**4 441 992**	**5 590 091**	**964 255**	**91 407 124**

* On 30 December 2022, the Group revalued property and equipment under category Land, buildings and engineering structures to fair value. Revaluation was not performed on items of property and equipment purchased over 18 months ago. 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 management believes the fair value at 30 June 2024 was not materially different from the carrying amount.

The carrying amount of Land, buildings and engineering structures, had it been presented at fair value as at 30 June 2024, would have been EUR 45 016 991 (30 June 2022: EUR 34 579 836), if the entire category would be accounted using the cost method.

All items of property and equipment 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% per year (with the exception of a new filling station with growth of 5%–7% p.a.)	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/ capitalisa-tion of lease revenue	– Discount rate 17.5% – Capitalisation rate ranging from 7.5% to 15% – Rent of 0.14 EUR/m2 (land) to 3.0 EUR/t (fuel) – Leased land/transhipment capacity/annual utilisation 49–95% – 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	– Discount rate 12.0%, capitalisation rate 10.0–10.5% – Rent 1.00–3.00 EUR/m2 – Occupancy rate 65–90% p.a. – Revenue growth from year 3 0.5%–1.0% p.a.	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).

9. Inventories

	30.06.2024 unaudited	31.12.2023
Auxiliary materials	766 217	613 557
Fuel	9 836 100	8 476 636
Other goods	3 001 157	2 704 258
Prepayments for inventories	282 120	217 956
TOTAL:	**13 885 594**	**12 012 407**

On 30 June 2024, the net realisable value of inventories was equal to the carrying amount. No provisions are recognised for impairment of inventories.

10. Trade receivables and accrued income

	30.06.2024 unaudited	31.12.2023
Carrying amount of trade receivables	21 999 932	17 973 780
Impairment allowance	(657 202)	(567 507)
TOTAL:	**21 342 730**	**17 406 273**

Accrued income	2 192 240	1 352 430
TOTAL:	**2 192 240**	**1 352 430**

The increase in accrued revenue is due to the increase in the electricity trading segment, where invoices for services rendered are raised and paid in the month following the provision of the service.

Overdue days under IFRS 9	ECL rate	Receivable	Impairment	ECL rate	Receivable	Impairment
		30.06.2024 unaudited			31.12.2023	
Not past due	0.05%	22 414 894	11 207	0.10%	17 324 419	17 324
Overdue by 1-30	0.20%	603 967	1 208	0.20%	1 262 072	2 524
Overdue by 31-60	1.00%	137 168	1 372	1.00%	131 416	1 314
Overdue by 61-90	2.60%	164 349	4 273	2.70%	137 776	3 720
Overdue by 91-180	5.40%	417 212	22 529	5.60%	11 350	636
Overdue by 181-360	10.60%	24 096	2 554	10.90%	8 449	921
Overdue by> 360	100.00%	372 893	372 893	100.00%	343 083	343 083
Total		**24 134 579**	**416 036**		**19 218 565**	**369 522**
Individual allowance			241 166			197 985
Total doubtful debt allowance			**657 202**			**567 507**

Impairment allowance for trade receivables as at 31.12.2022	**589 564**
Decrease of allowances due to decrease of long-term debts	(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 allowance for trade receivables as at 31.12.2023	**567 507**
Decrease of allowances due to decrease of long-term debts	113 603
Release of allowances due to write-offs	(23 908)
Impairment allowance for trade receivables as at 30.06.2024 (unaudited)	**657 202**

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

11. Cash and cash equivalents

	30.06.2024 unaudited	31.12.2023
Cash in bank and on hand	2 487 289	3 067 399
Money in transit	2 848 636	1 649 885
TOTAL:	**5 335 925**	**4 717 284**

12. Share capital and reserves

Share capital

Share capital of the Group in 2024 is EUR 7 564 730 (2023: EUR 7 557 210.50), comprised of 15 129 460 shares (2023: 15 114 421). Nominal value per share is EUR 0.50 (2023: 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. The Group's management intends to propose to the shareholders to distribute dividends of up to 20% of profit for 2024 during 2025 with the amount of dividends to be specified after the closure of the financial year ended on 31 December 2024.

Earnings per share

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

	For the six months ended 30 June 2024 unaudited	For the six months ended 30 June 2023 unaudited
Profit for the year, attributable to the owners of the Company	2 006 601	3 155 155
Weighted average number of shares	15 115 674	15 093 143
Earnings per share	0.13	0.21

The calculation of earnings per share after dilution has been 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 2024 unaudited	For the six months ended 30 June 2023 unaudited
Profit for the year, attributable to the owners of the Company	2 006 601	3 155 155
Weighted average number of shares	15 130 724	15 123 232
Earnings per share	0.13	0.21

Share options

LAlongside 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 the terms of the programme, holders of options granted will be entitled to receive their shares at the end of the exercise period. The total amount of share options granted is 53 301. The purchase price is set at EUR 0 and all shares will vest at the end of the three-year exercise period. The key inputs used to measure the fair value of share options were the Company's share price at the time the share options were granted.
During 2023, a second conversion of options was made, increasing share capital and issuing additional 15 039 (2022: 23 212) shares for a total value of EUR 7 520 (2022: EUR 11 606). During the reporting period, share conversion has not been carried out.

Revaluation reserve

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

	30.06.2024 unaudited	31.12.2023
Revaluation reserve from Land, buildings and engineering structures revaluation	24 604 524	24 894 951
	24 604 524	**24 894 951**

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 15)	(13 850)
Balance as at 30.06.2023 (unaudited)	**25 745 220**

Balance as at 31.12.2023	**24 894 951**
Changes in revaluation reserves	(290 427)
Reclassification to retained earnings (Consolidated statement of Changes in Equity)	(414 655)
Provisions for asset retirement obligation (Note 15)	124 228
Balance as at 30.06.2024 (unaudited)	**24 604 524**

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 the consolidated financial statements for 2020 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 and diverted EUR 33 356 to other reserves to pay share capital at the date of conversion. In 2022, the Group continued its employee share option programme by making the first conversion of options, increasing share capital and issuing an additional 23 212 shares for EUR 11 606 and in 2023, a second conversion of options was made, issuing additional 15 039 shares for EUR 7 520.

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

Balance as at 31.12.2023	**(4 005 654)**
Employee share option scheme	-
Balance as at 30.06.2024 (unaudited)	**(4 005 654)**

13. Loans from credit institutions

Long-term	30.06.2024 unaudited	31.12.2023
Loans from a credit institution registered in the Republic of Latvia	18 280 099	14 488 095
Including:		
Long term part of loans repayable in up to 5 years	18 280 099	14 488 095
Long term part of loans repayable after 5 years until maturity	-	-
Short-term		
Loan from a credit institution registered in the Republic of Latvia	5 767 997	7 058 504
Credit line from a credit institution registered in the Republic of Latvia	4 284 666	-
TOTAL Short-term	**10 052 663**	**7 058 504**
TOTAL:	**28 332 762**	**21 546 599**

In 2024, the Group received a loan of EUR 4 million (2023: EUR 4.0 million), the Group's Parent company has signed a contract with AS SEB Banka on additional loan of EUR 2 million for further implementation of investment strategy.
As at the reporting date, the Group has access to an credit line facility which is prolonged on an annual basis. The facility limit is EUR 5.0 million.
In the reporting period, all loans carry interest rates of 3M or 6M EURIBOR plus an added rate. The added rates range from 1.45% 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.

14. Other loans

Long-term	30.06.2024 unaudited	31.12.2023
Interest-free, unsecured loan from the shareholders	4 692 374	4 962 627
TOTAL other long-term loans:	4 692 374	4 962 627
Short-term		
Interest-free, unsecured loan from the shareholders	700 000	700 000
TOTAL other short-term loans:	700 000	700 000
Total other loans:	5 392 374	5 662 627
Nominal value total:		
Interest-free, unsecured loan from the shareholders	6 105 512	6 455 516

Shareholder loans are carried at amortised cost using the discounted cash flow method with the difference between the nominal and fair value upon 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 flow and according to effective loan agreements, and according to covenants of the loan agreement with a financial institution.

15. Provisions for asset retirement obligation

Balance as at 31 December 2022	**683 765**
Provision made during the period	-
Change in discount rate	7 673
Change in estimates	6 177
Unwinding of discounting	16 410
Balance as at 30 June 2023 (unaudited)	**714 025**

Balance as at 31 December 2023	**763 654**
Provision made during the period	32 900
Change in discount rate	(19 342)
Change in estimates	(104 886)
Unwinding of discounting	20 466
Balance as at 30 June 2024 (unaudited)	**692 792**

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

16. Movements in financing

	Loans from credit institutions	Other loans	Lease liabilities	Total
Carrying amount as at 31 December 2023	**21 546 599**	**5 662 627**	**3 669 110**	**30 878 336**
Loan principal repaid	(1 645 171)	(350 004)	-	(1 995 175)
Lease payments	-	-	(420 980)	(420 980)
Cash flows from financing activities	**(1 645 171)**	**(350 004)**	**(420 980)**	**(2 416 155)**
New loans from credit institutions	8 431 333	-	-	8 431 333
New lease liabilities	-	-	370 439	370 439
Interest expenses	654 415	-	20 686	675 101
Financial expenses including unwinding of the discount	-	79 751	68 538	148 289
Interest paid	(654 415)	-	(20 686)	(675 101)
Total changes in liabilities	**6 786 162**	**(270 253)**	**17 997**	**6 533 906**
Carrying amount as at 30 June 2024 (unaudited)	**28 332 761**	**5 392 374**	**3 687 107**	**37 412 242**
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**

Finance expenses:	For the six months ended 30 June 2024 unaudited	For the six months ended 30 June 2023 unaudited
Change in the value of financial instrument	552 728	1 275 423
Interest expense from unwinding the discount on a shareholder loan	79 751	86 901
Interest expenses for bank loans	654 415	423 515
Interest expenses for a lease	89 224	34 906
Other financial expenses	77 990	73 165
TOTAL:	**1 454 108**	**1 893 910**

17. 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.

18. Related party transactions

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

		Transactions in the period ending		Balance outstanding	
Related party:	Description of transaction	30.06.2024 unaudited	30.06.2023 unaudited	30.06.2024 unaudited	31.12.2023
Associated companies					
Balances	Loan to an associate	-	-	1 914 600	1 923 999
Balances	Accrued interest	-	-	17 531	17 978
Balances	Right-of-use assets	-	-	255 992	309 069
Balances	Lease liabilities	-	-	(275 547)	(329 185)
Comprehensive income	Interest income	36 901	40 201	-	-
Comprehensive income	Interest expenses	(2 762)	(3718)	-	-
Shareholders					
Balances	Shareholder loan	-	-	(6 105 512)	(5 662 627)
Comprehensive income	Interest expenses	(79 751)	(86 901)	-	-
Members of the Board and Council					
Balances	Remuneration payable	-	-	(32 399)	(25 513)
Balances	Compulsory state social security payable	-	-	(12 352)	(7 209)
Comprehensive income	Remuneration	(476 105)	(246 233)	-	-
Comprehensive income	Social security contributions	(111 912)	(83 777)	-	-

19. 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.

30 June 2024 (unaudited)	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total fair values EUR	Total carrying amount EUR
Financial assets					
Derivatives	-	-	3882484	3882484	3882484
Loan to an associate	-	-	1 196 399	1 196 399	1 196 399
Financial liabilities					
Derivatives	-	-	2368846	2368846	2368846

31 December 2023	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total fair values EUR	Total carrying amount EUR
Financial assets					
Derivatives	-	-	7 316 022	7 316 022	7 316 022
Loan to an associate	-	-	1 196 399	1 196 399	1 196 399
Financial liabilities					
Derivatives	-	-	5 249 657	5 249 657	5 249 657

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.

30 June 2024 (unaudited)	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total fair values, EUR	Total carrying amount, EUR
Financial assets					
Loan to an associate	-	-	-	717 858	717 858
Trade receivables	-	-	-	21 342 730	21 342 730
Due from related parties	-	-	-	65 912	65 912
Other receivables	-	-	-	268 817	268 817
Cash and cash equivalents	-	-	-	5 335 925	5 335 925
Financial liabilities					
Loans from credit institutions	-	-	27 350 646	27 350 646	28 332 762
Other loans	-	-	4 995 341	4 995 341	5 392 374
Trade and other payables	-	-	-	21 424 529	21 424 529

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.

31 December 2023	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total fair values, EUR	Total carrying amount, EUR
Financial assets					
Loan to an associate	-	-	-	727 600	727 600
Trade receivables	-	-	-	17 406 273	17 406 273
Due from related parties	-	-	-	24 399	24 399
Other receivables	-	-	-	336 208	336 208
Cash and cash equivalents	-	-	-	4 717 284	4 717 284
Financial liabilities					
Loans from credit institutions	-	-	21 631 358	21 631 358	21 546 599
Other loans	-	-	4 995 341	4 995 341	5 662 627
Trade and other payables	-	-	-	16 800 257	16 800 257

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
Derived contracts – electricity and fuel swap contracts, as well as contracts with fixed fees	Discounted cash flow, NPV	Spread in the Latvian market in excess of the electricity market price data in the Nord pool.
Derivatives – loan to an associate	Discounted cash flows, Black-Scholes Model	The discount rate applied is based on the market prices of comparable loans of the associate during the reporting period. The value of the associate is assumed to be that 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 15.
Other loans	Discounted cash flow, NPV	Loan repayment structure assumed in line with bubgeted cash flows and bank loan covenats. 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 an associate
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)	-
Loans issued	-	-
Financial income from calculated interest	-	13 274
Interest paid in the period (settlements)	-	(13 347)
Balance as at 30 June 2023 (unaudited)	**2 926 707**	**1 201 894**

Balance as at 31 December 2023	**2 066 365**	**1 196 399**
Gain included in finance income		
Net change in fair value, change in prices (unrealised)	(370 658)	-
Value of new financial instruments	288 024	-
Realised value of financial instruments	(470 094)	-
Loans issued	-	-
Financial income from calculated interest	-	-
Interest paid in the period (settlements)	-	-
Balance as at 30 June 2024 (unaudited)	**1 513 638**	**1 196 399**

The fair value gain described above is recognised in the consolidated statement of comprehensive income within net finance income in the corresponding period.

A sensitivity analysis for derivative swaps is provided in Note 30.

At the beginning of 2022, the Group issued a loan with equity conversion features which required the loan to be carried at fair value. The key unobservable assumptions relate to the applicable discount rate for the loan element and the value of the embedded option element - the value of the associate and its fair value volatility. The table below presents the sensitivity analysis of alternative assumptions:

30 June 2024

Unobservable element	Change in assumption	Impact of change
Change in the interest rate of the loan element	+/-100 base points	+/- 31 739
Change in the fair value volatility of the associate	10%	+/- 59 617
Change in the associate's value	10%	+/- 34 953

30 June 2023

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

20. 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 VirŠI 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 at 30 June 2024 and 30 June 2023 would have increased (decreased) profit (loss) before taxes by the amounts for +/- EUR 222 101 (2023: +/- EUR 218 028). 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 10.)
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 13).
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.

30 June 2024 (unaudited)	Carrying amount	Contrac-tual cash flows (un-discntd.)	0-6 months	6-12 months	1Y	2Y	3Y	4Y	5Y	Over 5 years
Loans from credit institutions	28 332 762	30 135 907	2 415 143	8 986 901	4 389 841	8 298 541	2 105 301	3 940 179	-	-
Other loans	5 392 374	6 105 512	350 004	350 004	700 008	700 008	700 008	700 008	700 008	1 905 464
Derivatives	2 368 847	5 367 627	534 236	690 906	1 348 256	1 373 463	1 420 767	5 249 657	-	-
Trade and other payables	21 424 529	21 424 529	21 424 529	-	-	-	-	-	-	-
Accrued liabilities	5 062 505	5 062 505	5 062 505	-	-	-	-	-	-	-
Total financial liabilities	**62 581 016**	**68 096 080**	**29 786 417**	**10 027 811**	**6 438 105**	**10 372 012**	**4 226 076**	**9 889 844**	**700 008**	**1 905 464**

31 December 2023	Carrying amount	Contrac-tual cash flows (un-discntd.)	0-6 months	6-12 months	1Y	2Y	3Y	4Y	5Y	Over 5 years
Loans from credit institutions	21 546 599	23 919 239	2 565 487	5 289 380	5 253 864	5 578 988	2 991 018	2 240 503	-	-
Other loans	5 662 627	6 455 516	350 004	350 004	700 008	700 008	700 008	700 008	700 008	2 255 468
Derivatives	5 249 657	5 367 627	534 236	690 906	1 348 256	1 373 463	1 420 767	-	-	-
Trade and other payables	16 800 257	16 800 257	16 800 257	-	-	-	-	-	-	-
Accrued liabilities	5 085 474	5 085 474	5 085 474	-	-	-	-	-	-	-
Total financial liabilities	**54 344 614**	**57 628 113**	**25 335 458**	**6 330 290**	**7 302 128**	**7 652 459**	**5 111 793**	**2 940 511**	**700 008**	**2 255 468**

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. The price of crude oil 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 the fuel business of the Group.

In order to offset the dependence on crude oil prices globally the Group has a number of measures in place – it owns a storage facility that helps mitigate short-term volatilities; sustainable fuel alternatives are being introduced in the market and the Group's portfolio (CNG, electricity); there is ongoing development of retail stores and catering in fuel stations. As a result, the proportion of growing operating profits in the portfolio is driven by crude oil products and the decreased price dependence. 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 2024 recognised in the balance sheet is EUR 1 513 638 (2023: EUR 2 926 707). A possible change of 5 euros in the spread to Nord Pool commodity price at 30 June 2024 would have increased (decreased) profit before taxes by +/- EUR 153 485 (2023: +/- EUR 197 405). 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.

21. 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 2024.

22. Subsequent events

In July 2024, AS "Virši-A", in cooperation with project partners, concluded an agreement on attraction of funding for the construction of biomethane production facility in Latvia. The project will be funded by the European Energy Efficiency Fund (eeef)), providing a long-term loan. It is estimated that total project expenses will be more than EUR 15 million, out of which the funding provided by the eeef will amount to EUR 12 million.

Riga, 8 August 2024

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

THIS DOCUMENT IS SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIMESTAMP.