

**AS Virši-A**

(UNIFIED REGISTRATION NUMBER 40003242737)

**CONSOLIDATED ANNUAL REPORT FOR 2020**

**PREPARED IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED  
BY THE EUROPEAN UNION  
AND INDEPENDENT AUDITORS' REPORT**

**Riga, 2021**

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## General information

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|------------------------------|---|
| Name of the parent company   | <b>Virši-A</b>  |
| 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   |
| Members of the Board         | Jānis Vība, Chairman from 13.04.2021 (previously: Member of the Board)<br>Linda Prūse, Member of the Board from 13.04.2021<br>Vita Čirjevska, Member of the Board from 13.04.2021<br>Jānis Riekstiņš, Chairman of the Board until 13.04.2021<br>Jānis Rušmanis, Member of the Board until 13.04.2021<br>Ilgvars Zuzulis, Member of the Board until 13.04.2021<br>Andris Priedītis, Member of the Board until 13.04.2021   |
| Members of the Council       | Jānis Riekstiņš, Chairman of the Council from 13.04.2021<br>Jānis Rušmanis, Deputy Chairman of the Council from 13.04.2021<br>Ilgvars Zuzulis, Member of the Council from 13.04.2021<br>Andris Priedītis, Member of the Council from 13.04.2021<br>Ivars Blumbergs, Member of the Council from 13.04.2021<br>Silva Skudra, Member of the Council<br>Madara Volksone, Chairwoman of the Council until 13.04.2021<br>Ausma Rušmane, Deputy Chairwoman of the Council until 13.04.2021 |
| Information on subsidiaries  | Viršu nekustamie īpašumi, SIA<br>Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads, Latvia, LV-5101<br>Holding: 100.00%, from 15.09.2020<br><br>VIRŠI loģistika, SIA<br>Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads, Latvia, LV-5101<br>Holding: 100.00%, from 15.09.2020<br><br>VIRŠI Renergy, SIA<br>Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads, Latvia, LV-5101<br>Holding: 100.00%, from 20.07.2020             |
| Chief Accountant             | Jeļena Laurinaviča  |
| Auditors                     | KPMG Baltics AS<br>Vesetas iela 7<br>Rīga, Latvia, LV-1013<br>Licence No. 55  |

## Statement of the Management's Responsibility

### Line of business

AS Virši-A with its subsidiaries is the largest local fuel trader with 100% Latvian capital (hereinafter also referred to as "the Group"). The Group is engaged in wholesale and retail sale of oil products and retail sale of car goods and groceries through the network of own filling stations. The Group's share capital amounts to EUR 6 677 860 and consists of 47 699 shares. Nominal value per share is EUR 140. All shares are fully paid up.

### The Group's activities during the reporting year

In 2020, the Group successfully continued implementing its development strategy which involved objectives such as a substantial expansion of the network, modernisation of filling stations and providing consistently high quality of products and services to its customers, and also extending support to Latvian producers by presenting them an opportunity to place their products in stores of AS Virši-A. During 2020, the Group continued efforts to promote the new type of alternative fuel - compressed natural gas (CNG) by opening two more CNG filling locations which helps Latvia towards achieving the goal of reducing harmful emissions in the transport segment. During the year, the network of AS Virši-A consisted of 63 filling stations of which four offered CNG.

Despite the fact that the total retail market of fuel in Latvia reduced by 3.6% in 2020 in terms of tons sold, the Group was able to increase its market share by increasing the retail sales of fuel by 0.1% over that of 2019. The result of retail sale of fuel in 2020 was impacted both by Covid-19 which caused the activity of businesses and individuals to decline and by the excise tax policy in place in the Baltic states. At the end of 2020, the rate of excise duty for diesel in Latvia was the highest among the Baltic states which impaired Latvia's competitive capacity in relation to international fuel buyers.

The volume of strategic investments made in 2020 in AS Virši-A and related companies was not significantly lower. A new interior design concept was developed and implemented, 25 filling stations were modernised and four new filling stations were opened - one in each Babite and Rezekne and franchise stations in each Kekava and Skrunda. Due to targeted investments in the network of filling stations, revision and expansion of the assortment of goods, and quick adaptation to the new market conditions during 2020 enabled the Group to increase the base of active customers and retail sales. During the year, net sales of goods increased by EUR 3.6 million or 16.1% and reached the highest ever net sales in the Group's history.

Despite the fact that both the amount of fuel sold by the Group in tons and the turnover of goods increased during the year, total net sales of the Group in 2020 decreased by 8.3% which was caused by the drop of oil prices in the first six months of the year. However, profit amounted to EUR 4 187 177 or 17.8% more than in 2019. The Group's operating profit margin in 2020 was 2.4% (2019: 1.9%). (The operating profit margin is calculated by dividing net sales with profit for the reporting year).

In 2020, the Group commenced restructuring of the legal structure of Virsi Group by investing related party SIA Virsi nekustamie ipasumi, an entity engaged in development and rent of real estate, into SIA Virsi logistika, which provides fuel logistic services in the network from January 2021, and subsidiary SIA Virsi Renergy was founded to act as the trader of natural gas and electricity. The reorganisation was completed in February 2021. The new organisational structure will enable the Group to sustain a high standard of corporate governance and risk management.

In order to provide customers with high quality fuel the largest fuel supplier for the network of filling stations of AS Virši-A remains SIA Orlen Latvija. SIA Orlen Latvija is the representative office of the Lithuanian oil processing company Orlen Lietuva and it is responsible for the sale of oil products in Latvia imported from the oil processing plant in Mazeiki. Orlen is the second largest oil processing company in Central Europe.

In 2017, AS Virši-A was entered in the register of participants of the Extended Cooperation Programme of the SRS, and in 2019 and 2020 the Group was a gold level member of the programme.

### Environment protection measures

AS Virši-A and its subsidiaries take an integrated approach to prevention and control of pollution and are compliant with the environmental requirements set forth in category C and B polluting activity permits and laws and regulations. To reduce the environmental impact, during 2020 the fuel filling facility was replaced at a single filling station. The new filling facility is equipped with stage II fuel vapour removal system which enables the Group to reduce the amount of vapour released into the atmosphere.

Seeking to control and reduce its impact on the environment, ground water and rain water monitoring is carried out in filling stations on a regular basis, ground water monitoring networks are renovated and local purification facilities are cleaned and reconstructed in filling stations. In 2020, new local purification facilities were built or existing facilities were renovated in two filling stations and the Group's oil storage facility, local purification facilities were cleaned in 15 stations and the oil storage facility and containers were cleaned in 14 sites.

## Group Management Report

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In order to control, manage and optimise resources in 2020 the Group continued implementing ISO 50001. During 2020, 25 filling stations were renovated with interior and external lights replaced and motion sensors installed in warehouses and auxiliary premises to save power.

AS Virši-A and its subsidiaries are in full compliance with all environmental protection requirements.

### Employees

As the Group continued its rapid growth at the end of 2020 it employed on the average 552 people, which was 6% more than in 2019. In high recognition of the role employees have in the Group's growth SIA Virši-A continued making sizeable investments in staff training, development, team building, improving competencies of managers, and improving sales and customer servicing skills. All employees are covered for health insurance. As always, the Group supported the career growth of its employees by offering to apply for internal vacancies and continued strengthening and recruiting to its management team.

The driver for service quality and knowledge in the recent years has been Virsu School that has earned recognition from the Latvian Association for People Management. In response to the restrictions introduced in Latvia in 2020, the Group invested time and resources to develop the digital format of Virsu School to provide staff with quality remote training.

In TOP Employer 2020, AS Virši-A was awarded the 1<sup>st</sup> place in Zemgale region. Also, for the first time in its history, AS Virši-A made it to the TOP 50 of the key category (top-of-mind) of the best employers of Latvia and landed as number 32 (number 8 in trading category).

### Support to national rescue services

The Group's priority for 2020 was extending support to national rescue services. The growing restrictions and morbidity rates during the Covid-19 pandemic resulted in a particularly high pressure on the operation of the national rescue services. In April to May 2020, employees of the Emergency Medical Service, State Police, State Border Guard, State Fire and Rescue Service could receive free hot drinks in all filling stations of AS Virši-A.

### Financial risk management

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 adverse impacts of the financial market the Group's management observes internal procedures.

Credit risk is controlled by the Group through 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 due days set. Trade receivables are carried at recoverable amount. The Group's partners in cash transactions are local financial institutions with appropriate credit history.

The Group is exposed to the oil price risk both as it purchases and sells fuel products as 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.

### Subsequent events

From 2020 and subsequent to the year end, the Republic of Latvia and many countries worldwide had restrictions in place to limit the spread of the coronavirus which notably slowed the economic development in the country and the world. As it is not possible to predict how the situation will unfold there is uncertainty with regard to the economic development. The management of the Group constantly evaluates the situation. At the date of these consolidated financial statements, the Group's financial ratios for 2021 are consistent with those planned in the budget for 2021 and the financial position is strong. The Group's management believes the Group will be able to overcome the emergency situation with the help of the following measures: financial monitoring of all units and development and coordination of a crisis plan, timely planning of purchases of resources, and daily in-depth analysis of receivables risk. This conclusion is based on the information available as at the date of these consolidated financial statements.

## Group Management Report

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### Management Report (continued)

In February 2021, the Group's reorganisation was completed. As part of the reorganisation in 2020 and 2021, equity of two subsidiaries, SIA Viršu nekustamie īpašumi and SIA Virši loģistika, was contributed to the Parent Company and a new company was founded, SIA Virši Renergy.

### Further development of the Group

AS Virši-A will continue implementing its development strategy including expansion of the network of filling stations, investments in the infrastructure, development of alternative fuels and ensuring consistently high quality of fuel and goods, and replacement of the visual image and concept to promote brand recognition with the target audience. The strategy will be made in view of the uncertainty existing in the local and global market in relation to the outbreak of Covid-19 in 2020.

In April 2021, the Group's management announced their decision to attract capital and commence listing shares on Nasdaq Riga through an IPO in the nearest future.

Riga, 14 July 2021



Jānis Vība  
Chairman of the Board



Linda Prūse  
Member of the Board



Vita Čirjevskā  
Member of the Board

## Consolidated statement of comprehensive income

|  | Note   | 2020<br>EUR       | 2019<br>EUR<br>unaudited |
|--|--------|-------------------|--------------------------|
| Net sales  | 2      | 171 430 847       | 187 021 505              |
| Cost of sales  | 3      | (150 094 592)     | (166 858 003)            |
| <b>Gross profit</b>  |        | <b>21 336 255</b> | <b>20 163 502</b>        |
| Selling expenses   | 4      | (14 146 229)      | (14 274 126)             |
| Administrative expenses  | 5      | (1 902 502)       | (1 778 543)              |
| Other operating income   | 6      | 186 675           | 46 033                   |
| Other operating expenses                                       | 7      | (800 412)         | (338 799)                |
| <b>Results from operating activities</b>                       |        | <b>4 673 787</b>  | <b>3 818 067</b>         |
| Financial revenue  |        | 14 792            | 9 045                    |
| Finance expenses   | 21     | (499 565)         | (269 624)                |
| <b>Profit before tax</b>                                       |        | <b>4 189 014</b>  | <b>3 557 488</b>         |
| Corporate income tax for the reporting year                    | 8      | (1 837)           | (3 390)                  |
| <b>Profit after corporate income tax</b>                       |        | <b>4 187 177</b>  | <b>3 554 098</b>         |
| <b>Profit of the reporting year</b>                            |        | <b>4 187 177</b>  | <b>3 554 098</b>         |
| <b>Other comprehensive income</b>                              |        |                   |                          |
| <i>Items that will never be reclassified to profit or loss</i> |        |                   |                          |
| Revaluation of property and equipment                          | 10     | -                 | 8 473 100                |
| Change in Asset retirement obligation                          | 16, 19 | (120 474)         | (167 781)                |
| <b>Other comprehensive revenue</b>                             |        | <b>(120 474)</b>  | <b>8 305 319</b>         |
| <b>Total comprehensive income or loss</b>                      |        | <b>4 066 703</b>  | <b>11 859 417</b>        |
| <b>Earnings per share before and after dilution</b>            | 16     | <b>87.8</b>       | <b>74.5</b>              |
| <b>EBITDA per share</b>  |        | <b>164.4</b>      | <b>154.3</b>             |

The accompanying notes on pages 12 to 42 are an integral part of these consolidated financial statements.

Riga, 14 July 2021

  
Jānis Vība  
Chairman of the Board

  
Linda Prūse  
Member of the Board

  
Vita Čirjevskā  
Member of the Board

  
Jekaterina Laurinaviča  
Chief Accountant

## Consolidated statement of financial position as at 31 December 2020

| <b>ASSETS</b>                   |      |                   |                                |                                |
|---------------------------------|------|-------------------|--------------------------------|--------------------------------|
|                                 | Note | 31.12.2020<br>EUR | 31.12.2019<br>EUR<br>unaudited | 01.01.2019<br>EUR<br>unaudited |
| <b>NON-CURRENT ASSETS</b>       |      |                   |                                |                                |
| Intangible assets               | 9    | 142 534           | 50 120                         | 45 171                         |
| Property and equipment          | 10   | 51 603 845        | 48 046 395                     | 34 331 033                     |
| Right-of-use assets             | 11   | 2 316 298         | 2 425 396                      | 2 840 175                      |
| Investment in associate         | 12   | 57 156            | 54 556                         | 53 053                         |
| Loan to associate               | 28   | 303 200           | 328 000                        | 352 000                        |
| <b>TOTAL NON-CURRENT ASSETS</b> |      | <b>54 423 033</b> | <b>50 904 467</b>              | <b>37 621 432</b>              |
| <b>CURRENT ASSETS</b>           |      |                   |                                |                                |
| Inventories                     | 13   | 5 442 404         | 5 954 328                      | 4 795 721                      |
| Trade receivables               | 14   | 8 866 654         | 11 750 285                     | 10 337 070                     |
| Due from related parties        |      | 41 060            | 55 579                         | 5 916                          |
| Corporate income tax receivable | 24   | 13 982            | 73 972                         | 81 887                         |
| Other receivables               |      | 145 548           | 151 971                        | 269 957                        |
| Prepaid expenses                |      | 110 743           | 83 672                         | 63 606                         |
| Accrued income                  |      | 105 544           | 62 177                         | 34 845                         |
| Cash and cash equivalents       | 15   | 3 676 615         | 2 954 245                      | 2 875 781                      |
| <b>TOTAL CURRENT ASSETS</b>     |      | <b>18 402 550</b> | <b>21 086 229</b>              | <b>18 464 783</b>              |
| <b>TOTAL ASSETS</b>             |      | <b>72 825 583</b> | <b>71 990 696</b>              | <b>56 086 215</b>              |




## Consolidated statement of financial position as at 31 December 2020

| <b>LIABILITIES</b>                                    |      |                   |                                |                                |
|---|------|-------------------|--------------------------------|--------------------------------|
|   | Note | 31.12.2020<br>EUR | 31.12.2019<br>EUR<br>unaudited | 01.01.2019<br>EUR<br>unaudited |
| <b>SHAREHOLDERS' EQUITY</b>                           |      |                   |                                |                                |
| Share capital   | 16   | 6 677 860         | 910 560                        | 910 560                        |
| Reserves:   |      |                   |                                |                                |
| Long term investment revaluation reserve              |      | 20 714 459        | 21 603 544                     | 14 165 162                     |
| Other reserves  |      | (4 206 039)       | 1 558 481                      | 144 112                        |
| Retained earnings:                                    |      |                   |                                |                                |
| Retained earnings brought forward from previous years |      | 9 247 089         | 4 924 379                      | 7 899 813                      |
| Profit of the reporting year                          |      | 4 187 177         | 3 554 099                      | 4 133 009                      |
| <b>TOTAL EQUITY</b>                                   |      | <b>36 620 546</b> | <b>32 551 063</b>              | <b>27 252 657</b>              |
| <b>LIABILITIES</b>                                    |      |                   |                                |                                |
| <b>Non-current liabilities</b>                        |      |                   |                                |                                |
| Loans from credit institutions                        | 17   | 8 833 223         | 7 830 269                      | 4 092 780                      |
| Other loans   | 18   | 6 624 790         | 7 390 231                      | 2 478 259                      |
| Asset retirement obligation                           | 19   | 788 922           | 669 721                        | 500 339                        |
| Lease liabilities                                     | 20   | 1 607 622         | 1 791 311                      | 2 172 972                      |
| <b>TOTAL NON-CURRENT LIABILITIES</b>                  |      | <b>17 854 557</b> | <b>17 681 532</b>              | <b>9 244 350</b>               |
| <b>Current liabilities</b>                            |      |                   |                                |                                |
| Loans from credit institutions                        | 17   | 2 143 482         | 1 834 550                      | 2 371 639                      |
| Other loans   | 18   | 1 000 000         | 940 000                        | 1 000 000                      |
| Lease liabilities                                     | 20   | 529 757           | 483 348                        | 592 554                        |
| Trade and other payables                              |      | 9 593 592         | 14 109 879                     | 12 167 262                     |
| Deferred income                                       |      | 4 185             | 5 539                          | 12 294                         |
| Tax liabilities                                       | 24   | 3 405 068         | 2 769 429                      | 2 303 236                      |
| Accrued liabilities                                   | 22   | 1 674 396         | 1 615 355                      | 1 142 224                      |
| <b>TOTAL CURRENT LIABILITIES</b>                      |      | <b>18 350 480</b> | <b>21 758 100</b>              | <b>19 589 209</b>              |
| <b>TOTAL LIABILITIES</b>                              |      | <b>36 205 037</b> | <b>39 439 632</b>              | <b>28 833 559</b>              |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>     |      | <b>72 825 583</b> | <b>71 990 696</b>              | <b>56 086 215</b>              |

The accompanying notes on pages 12 to 42 are an integral part of these consolidated financial statements.

Riga, 14 July 2021

  
Jānis Vība  
Chairman of the Board

  
Linda Prūse  
Member of the Board

  
Vita Čirjevskā  
Member of the Board

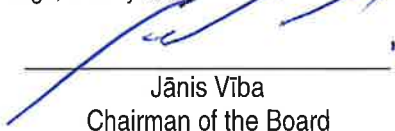
  
Jelena Laurinaviča  
Chief Accountant

## Consolidated statement of cash flows

|   | 2020<br>EUR         | 2019<br>EUR<br>unaudited |
|---|---------------------|--------------------------|
| <b>Cash flows from operating activities</b>   |                     |                          |
| Profit before tax   | 4 189 014           | 3 557 488                |
| Adjustments for:  |                     |                          |
| Depreciation and amortisation of property, equipment and intangible assets                          | 3 167 136           | 3 544 135                |
| Result on disposal of property and equipment  | 252 279             | 94 243                   |
| Interest and similar expenses   | 499 559             | 266 807                  |
| Income from investment in associate   | (2 600)             | (1 503)                  |
| <b>Profit before adjustment for the impact of changes to current assets and current liabilities</b> | <b>8 105 388</b>    | <b>7 461 170</b>         |
| (Increase)/Decrease of receivables  | 2 834 135           | (1 392 290)              |
| (Increase) / Decrease in inventories  | 511 924             | (1 158 607)              |
| Increase/(Decrease) of accounts payable to suppliers, contractors and other creditors               | (3 822 890)         | 2 889 866                |
| <b>Gross cash flows from operating activities</b>   | <b>7 628 557</b>    | <b>7 800 139</b>         |
| Interest paid   | (231 821)           | (142 604)                |
| Corporate income tax refunded   | 58 153              | 4 525                    |
| <b>Net cash flows from operating activities</b>   | <b>7 454 889</b>    | <b>7 662 060</b>         |
| <b>Cash flows from investing activities</b>   |                     |                          |
| Purchase of property, equipment and intangible assets   | (7 081 700)         | (8 667 166)              |
| Income from disposal of fixed and intangible assets   | 577 864             | 193 356                  |
| Loans repaid  | 24 800              | 24 000                   |
| <b>Net cash flows generated from investing activities</b>   | <b>(6 479 036)</b>  | <b>(8 449 810)</b>       |
| <b>Cash flows from financing activities</b>   |                     |                          |
| Loans received  | 3 321 159           | 7 970 310                |
| Repayment of loans and leases   | (3 574 642)         | (6 306 558)              |
| Dividends paid  | -                   | (797 538)                |
| <b>Net cash flows from financing activities</b>   | <b>(253 483)</b>    | <b>866 214</b>           |
| <b>Net cash flows for the reporting year</b>  | <b>722 370</b>      | <b>78 464</b>            |
| Cash and cash equivalents at the beginning of the year  | 2 954 245           | 2 875 781                |
| <b>Cash and cash equivalents at the end of the year</b>   | <b>15 3 676 615</b> | <b>2 954 245</b>         |

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Riga, 14 July 2021

  
Jānis Vība  
Chairman of the Board

  
Linda Prūse  
Member of the Board

  
Vita Čirjevskā  
Member of the Board


  
Jelena Laurinaviča  
Chief Accountant


## Consolidated statement of changes in equity


|  | Note | Share capital    | Long term investment revaluation reserve | Other reserves     | Retained earnings | Total shareholders' equity |
|--|------|------------------|--|--------------------|-------------------|----------------------------|
| <b>As at 1 January 2019 (unaudited)</b>                                |      | <b>910 560</b>   | <b>14 165 162</b>                        | <b>144 112</b>     | <b>12 032 822</b> | <b>27 252 656</b>          |
| <b>Comprehensive income</b>  |      |                  |  |                    |                   |                            |
| Profit of the reporting period   |      | -                | -  | -                  | 3 554 098         | 3 554 098                  |
| <b>Other comprehensive income</b>                                      |      |                  |  |                    |                   |                            |
| Asset retirement obligation  | 16   | -                | (167 780)                                | -                  | -                 | (167 780)                  |
| Increase/(decrease) in the long-term investment revaluation reserve    | 16   | -                | 8 473 100                                | -                  | -                 | 8 473 100                  |
| Transfer due to depreciation of accumulated revaluation gain           |      | -                | (866 938)                                | -                  | 866 938           | -                          |
| <b>Transaction with owners of the Group</b>                            |      |                  |  |                    |                   |                            |
| Contribution via non-interest bearing shareholder loans                | 16   | -                | -  | 1 414 369          | -                 | 1 414 369                  |
| Dividends  | 16   | -                | -  | -                  | (7 975 380)       | (7 975 380)                |
| <b>As at 31 December 2019 (unaudited)</b>                              |      | <b>910 560</b>   | <b>21 603 544</b>                        | <b>1 558 481</b>   | <b>8 478 478</b>  | <b>32 551 063</b>          |
| <b>Comprehensive income</b>  |      |                  |  |                    |                   |                            |
| Profit of the reporting period   |      | -                | -  | -                  | 4 187 177         | 4 187 177                  |
| <b>Other comprehensive income</b>                                      |      |                  |  |                    |                   |                            |
| Asset retirement obligation  | 16   | -                | (120 474)                                | -                  | -                 | (120 474)                  |
| Transfer due to depreciation of accumulated revaluation gain           |      | -                | (768 611)                                | -                  | 768 611           | -                          |
| <b>Transaction with owners of the Group</b>                            |      |                  |  |                    |                   |                            |
| Share capital increase through legal restructuring                     | 16   | 5 764 520        | -  | (5 764 520)        | -                 | -                          |
| Increase in share capital of subsidiaries prior to legal restructuring |      | 2 780            | -  | -                  | -                 | 2 780                      |
| <b>As at 31 December 2020</b>  |      | <b>6 677 860</b> | <b>20 714 459</b>                        | <b>(4 206 039)</b> | <b>13 434 266</b> | <b>36 620 546</b>          |

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Riga, 14 July 2021

  
Jānis Vība  
Chairman of the Board

  
Linda Prūse  
Member of the Board

  
Vita Čirjevska  
Member of the Board

  
Jelena Laurinaviča  
Chief Accountant

## Notes to the consolidated financial statements

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

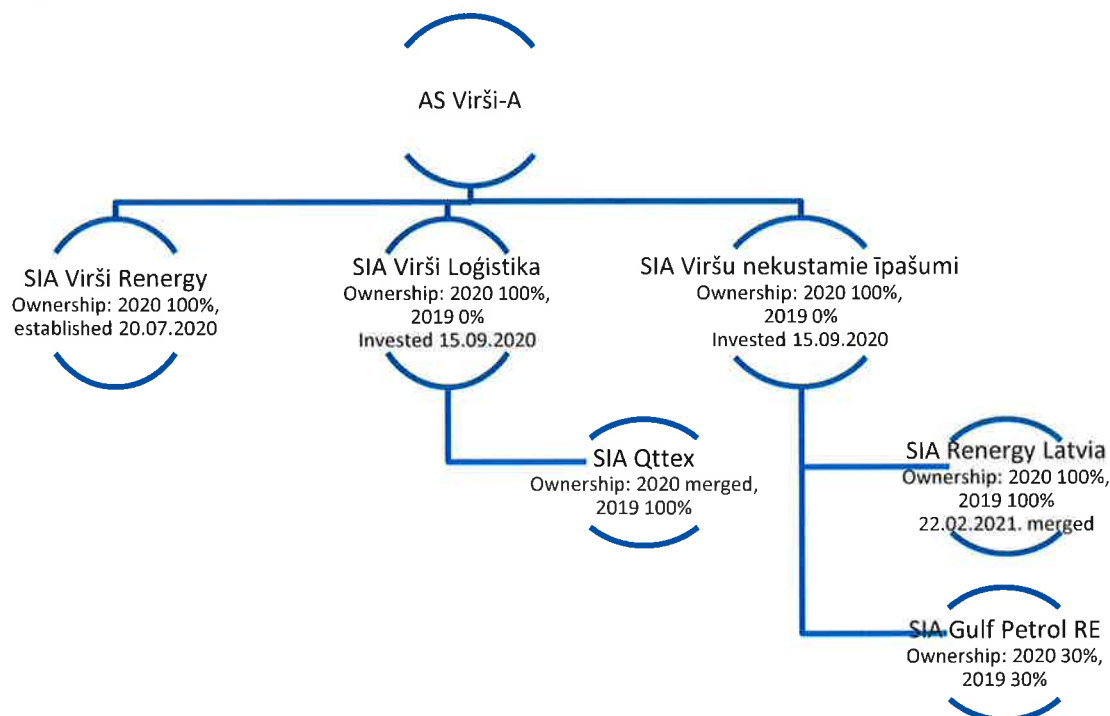
#### General information on the Group

AS Virši-A (hereinafter "the Group" or "the Parent Company") was registered with the Enterprise Register of Latvia on 6 January 1995. The legal address is Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads. The Group's shareholders are natural persons, residents of Latvia. The Group is engaged primarily in retail and whole sales of oil products, and retail sales of goods.

The Group Parent Company manages three subsidiaries SIA Viršu nekustamie īpašumi, SIA Virši loģistika (former name SIA AKA) and SIA Virši Renergy. The operating activities of the subsidiaries are related to those of the Parent Company and represent development and management of real estate properties, ensuring fuel deliveries to the Group's filling stations, franchises and wholesale clients, and selling natural gas and, from June 2021, also electricity.

The Group's consolidated financial statements for 2020 were approved by the decision made by the Board of the Group on 14 July 2021.

#### Groups legal structure



Virši Group entities were consolidated in joint structure during 2020. Prior to the legal restructuring of Virši entities (legal investment date September 15, 2020), SIA Viršu nekustamie īpašumi and SIA Virši Loģistika were related parties to AS Virši – A. Ownership of 3 parent companies was the same across all 5 entities.

#### First-time adoption of IFRS

In year 2020 Virši AS had a restructuring that involved a legal change of ownership for several companies previously owned by a group of the same shareholders. Legally the Group was formed for the first time in year 2020; however, all the entities were under the same ownership prior to the legal restructuring (entities were invested in AS Virši-A share capital by the shareholders). The consolidated financial statements for the year ended 31 December 2020 is the first set of consolidated financial statements of the Group prepared in accordance with IFRS. The Group did not prepare consolidated financial statements for the previous reporting periods under Latvian GAAP. Given the common control nature of the legal restructuring, the comparatives for the period from 1 January 2019 were prepared as if the Group had been formed prior to 1 January 2019. Since no consolidated financial statements have been prepared in the past, no reconciliations between the first IFRS consolidated financial statements and the previous GAAP separate financial statements are presented in these consolidated financial statements.

## Notes to the consolidated financial statements

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### Summary of accounting principles used

#### **Basis of preparation**

The consolidated financial statements were prepared on a going concern basis and in accordance with the International Financial Reporting Standards (hereinafter – IFRS) adopted by the European Union.

All International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are in force during the preparation of the consolidated financial statements are approved for use in the European Union by the European Commission in line with the applicable endorsement procedure.

The currency unit used in the consolidated financial statements is Euro (EUR).

The consolidated financial statements cover the period from 1 January 2020 to 31 December 2020.

The statement of comprehensive income was prepared according to the cost function.

The cash flow statement was prepared using the indirect method.

The consolidated financial statements were prepared on the historical cost basis, except for the following items: buildings are revalued on a periodic basis.

2020 is the first reporting year on which Group consolidated financial statements are prepared and the year of first-time adoption of IFRS.

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 to operate;
- 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 revenue for 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.

## Notes to the consolidated financial statements

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

### **New Standards and Interpretations**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020, and have not been applied in preparing these consolidated financial statements. The following amended standards and interpretations are not expected to have a significant impact on the Group's financial statements.

- Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- COVID-19-Related Rent Concessions (Amendment to IFRS 16).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.

### **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, 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 Group becomes a party to the contractual provisions of the instrument.

## Notes to the consolidated financial statements

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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, Group's financial assets are classified as measured at amortised cost.

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 Group 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.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Group does not hold debt or equity investments measured at FVOCI or FVTPL. All Company's financial assets are classified as financial assets at amortized 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 Company's financial liabilities are classified as measured at amortised cost and are subsequently measured at amortised cost using the effective interest method. 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.



## Notes to the consolidated financial statements

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which 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 recognized as assets if their fair value is positive and liabilities if their fair value is negative. As at 31 December 2020 and 31 December 2019 there were no derivatives outstanding. The Group has not applied hedge accounting.

### Non-financial assets and liabilities

#### Intangible assets

Intangible assets are carried at cost amortized 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 recognized when the book value of an intangible asset exceeds its recoverable amount. Groups intangible assets mainly consists of IT softwares and developments with useful life of 3 years.

#### Property and equipment

##### (i) Useful lives

Property and equipment is carried at historical cost except for land and buildings that are recognized 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:

|                                      | 2020            | 2019           |
|--------------------------------------|-----------------|----------------|
| Buildings and engineering structures | - 20 - 40 years | - 20 years     |
| Equipment and machinery              | - 5 - 20 years  | - 5 - 10 years |
| Other property and equipment         | - 2 - 7 years   | - 2 - 5 years  |

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

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

From 2020, the management reconsidered depreciation rate for all groups of property and equipment until 2019 in line with the actual life cycle of the assets; the straight line rate were adjusted for all groups of assets.

Should any events or changes in circumstances indicate that the book value of property and equipment is no longer recoverable the respective assets are reviewed for impairment. In the presence of non-recoverability indications and when the carrying amount of an asset exceeds its recoverable amount, the asset or its cash-generating unit is written down to its recoverable amount. The recoverable amount of property and equipment is the greater of net sales value and value in use. The value in use is estimated by discounting estimated future



## Notes to the consolidated financial statements

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cash flows at present value using a pre-tax discount rate which reflects the present market forecasts with respect to the changes in the value of the asset and risks associated with it. The recoverable amounts of assets that do not generate independent cash flows are determined for the cash generating unit to which the asset belongs. Impairment loss is recognised in the profit and loss statement as cost of goods sold.

Items of property and equipment are derecognized in case of disposal or when future benefits are no longer expected from the use of the respective asset. Any profit or loss arising on derecognition of an item of property and equipment (calculated as the difference between net income from disposal and book value) is recognized in the profit and loss statement of the period of de-recognition.

The cost of leasehold improvements is capitalized and reflected under property and equipment. Depreciation of these assets is calculated over the entire period of lease on a straight line basis.

Construction in progress reflects the costs of building items of property and equipment and work in progress and is disclosed at cost. The cost includes the cost of construction and other direct expenses. Construction in progress is not subject to depreciation until the respective assets are completed and put into operation.

### (ii) Fair value of property and equipment

Land, buildings and constructions are measured by the Group using the revaluation model. In case the carrying amount of items of property and equipment at the reporting date is lower than the valuation in the balance sheet, and such impairment is expected to be permanent, assets are recognized at the lower value. The revaluation result is recognized in the profit and loss statement except if a previously recognized 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 recognized 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 recognized as an expense in the profit and loss statement, then the increase resulting from revaluation is recognized as income in the profit and loss statement as incurred. The long term investment revaluation reserve is decreased when the revalued asset is disposed, is no longer utilized, or the increase of value is no longer reasonable.

The increase included in the long term investment revaluation reserve under equity is decreased by recognising this decrease in the profit and loss statement accordingly: gradually over the entire lifetime of the revalued asset, each reporting period writing down from reserves an amount equal to the difference between the depreciation, calculated based on the revalued value of the asset, and depreciation calculated based on the cost of the asset.

As at 30 September 2019 certain categories of property and equipment were revalued to fair value. The revaluation was performed for Land, buildings and engineering structures (see Note 10).

## Leases

### IFRS 16 Accounting

Upon adoption of IFRS 16 in the reporting period the Group recognised right-of-use assets for real estate property (land, buildings), vehicles and store equipment leased by the Group in the ordinary course of business.

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.

IFRS 16 was implemented using the modified retrospective approach rather than the full application approach with the date of initial application of IFRS, ie., 1 January 2019 and rights of use and assets were recognised only for contracts signed on and after the above date. During the reporting period, the Group made use of the practical expedient for short-term leases and leases for which the underlying asset is of low value.

## Notes to the consolidated financial statements

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### **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 recognized 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.

Unrealized gains arising from transactions with associates are eliminated against the investment to the extent Group's share in the investee. Unrealized 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 realizable value.

Expenses incurred to deliver inventories to their current location and condition are recognized in the following way:

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

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

### **Earning 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, either from convertible notes or 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 Company 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.

### **Deferred Tax Liability on unremitted earnings**

In Latvia legal entities are required to pay income tax on earned profits in accordance with local legislation on Corporate Income Tax. Corporate income tax would be paid on distributed profits and deemed profit distributions. Corporate income tax on dividends would be recognized in the statement of profit and loss as expense in the reporting period when respective dividends are declared, while, as regards other deemed profit items, at the time when expense is incurred in the reporting year.

The Group has decided to use these beneficial tax regimes to reinvest profit in further development of respective subsidiaries, therefore it does not plan to distribute dividends from subsidiaries in the next 5 years. The Group controls the process of dividend distribution and does not plan to distribute dividends from subsidiaries for year 2021 and after in the foreseeable future: 5 year horizon is considered appropriate given the Group's planning cycle. Due to above mentioned reason, the Group has not recognized deferred tax liabilities

### **Assets retirement obligations**

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.

## Notes to the consolidated financial statements

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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. Asset retirement obligations (further 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 difference of revaluation recognised in equity between the fixed asset valuation and what 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 recognized 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 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 6-40 years' time with the average remaining lifetime being 22 years (2019: 22 years).

At the end of year 2020, the Group reviewed the decommissioning requirements and the assumptions used in the present value calculation and adjusted the obligation to 788,922 EUR as of 31 December 2020. The update was prepared by management and resulted in a net increase of 119,201 EUR from the ARO at 31 December 2019 of 669 721 EUR.

As of 31 December 2020, the estimated undiscounted ARO obligation is 753 367 EUR (2019 – 723 959 EUR). In addition to the undiscounted cost estimates, the primary assumptions that affect the present value calculation are the inflation rate and the discount rate. For the update prepared as of 31 December 2020, the Company used an inflation rate of 2.00% (2019 – 2%) and a discount rate of -0.19% (2019: 0.32%) in calculating the present value of the obligation. The inflation rate is based on current and projected inflation indices and the discount rate is based on the 30 years German government bond yield representing long term risk free interest rate. The assessment is particularly sensitive to the inflation assumption. Should long-term inflation estimate increase to 3% from the used 2% assumption, ARO provision would increase by 256,060 EUR (2019 – 207 504 EUR). Should long-term inflation estimate decrease to 1% from the used 2% assumption, ARO provision would decrease by 189,460 EUR (2019 – 155 504 EUR).

### **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 inputs used in the measurement techniques:

- 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).

## Notes to the consolidated financial statements

- 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 recognizes 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 applicable, 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: amortized 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, which are classified as non-current assets.

Purchases and sales of financial assets are recognized on the settlement date. Financial assets are derecognized 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.

Amortized 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 recognized at amortized cost are valued using the effective interest method. Assets at fair value through profit or loss consists of equity investments. Gains or losses of the equity investments 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 where the Group calculates ECL are:

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

### Liquid funds

|                           | 31.12.2020 | 31.12.2019<br>unaudited | 01.01.2019<br>unaudited |
|---------------------------|------------|-------------------------|-------------------------|
| Cash and cash equivalents | 3 676 615  | 2 954 245               | 2 875 781               |

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 recognized because the amount is assessed as immaterial both due to on demand nature and the high creditworthiness of the counterparties.

## Notes to the consolidated financial statements

### Trade receivables and other receivables

|                                | 31.12.2020       | 31.12.2019<br>unaudited | 01.01.2019<br>unaudited |
|--------------------------------|------------------|-------------------------|-------------------------|
| Trade receivables              | 8 866 654        | 11 750 285              | 10 337 070              |
| Due from related parties       | 41 060           | 55 579                  | 5 916                   |
| Other receivables              | 145 548          | 151 971                 | 269 957                 |
| Accrued income                 | 105 544          | 62 177                  | 34 845                  |
| <b>Total trade receivables</b> | <b>9 158 806</b> | <b>12 020 012</b>       | <b>10 647 788</b>       |

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 recognized 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 Financial risk management.

### Other financial investments

|  | 31.12.2020     | 31.12.2019<br>unaudited | 01.01.2019<br>unaudited |
|--|----------------|-------------------------|-------------------------|
| Loan to Associate                        | 303 200        | 328 000                 | 352 000                 |
| <b>Total Other financial investments</b> | <b>303 200</b> | <b>328 000</b>          | <b>352 000</b>          |

The fair value of non-current Other financial investments is not materially different from the carrying amount which is also the maximum exposure to credit risk. No impairment losses have been recognized as there are no significant credit risks associated with the receivables. The associates financial position is assessed as strong with debt instruments having been amortised while its property assets are leased out to the Group on agreements that fully support the associates ability to repay its creditors.

### (b) Non-financial assets

Assets that are subject to amortization 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 recognized 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 recognized 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 recognized as liabilities only when there is reasonable likelihood that an outflow of funds will be required. Contingent assets are recognized 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 recognized 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 recognized relating to performance obligations satisfied over time are not significant. When, or as, a performance obligation is satisfied, the group recognizes as revenue the amount of the transaction price that is allocated to that performance obligation.

## Notes to the consolidated financial statements

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The transaction price is the amount of consideration to which the group expects to be entitled in exchange for the promised goods or services. The transaction price is allocated to the performance obligations in the contract based on standalone selling prices of the goods or services promised. Revenue is presented net of indirect sales taxes such as value added tax, penalties and discounts.

Sale of oil products contains fuel product sales in wholesale and retail stations. Excise taxes included in the retail selling price of finished oil products are included in product sales. The corresponding amount is included in the purchase price of petroleum products and included in Cost of oil products and goods.

Retail sale of goods contains catering and sales of consumer products at Virši fuel stations besides oil products.

### **Corporate income tax**

Based on the Law on Corporate Income Tax 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 into 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 Management board and Supervisory Board members regardless of whether the receiving party is a resident or a non-resident, if they relate to the operation of a permanent establishment in Latvia, liquidation quota).

The use of tax losses carried forward from previous periods is limited: it is possible to utilise these losses to decrease the amount of tax calculated on dividends in the reporting period by no more than 50%. It is possible to carry forward unused tax losses and utilise them in the previously described manner only until 2022.

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 recognized for an asset or liability in transactions a business combination if the transaction, when initially recognized, does not affect profit for financial or tax purposes. Deferred tax liabilities are not recognized 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 recognized using the tax rate applicable to retained earnings.

When applicable, deferred tax is recognized 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 assets in respect of temporary differences and tax losses carried forward are recognized to the extent that it is probable that taxable profit will be available against which the losses can be utilized.

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 utilized realization of the asset. Future taxable profits and possible amounts of tax benefits are estimated, on the basis of medium-term financial forecasts prepared by management and their extrapolated results. The financial forecast is based on management forecasts that are reliable and reasonable in the circumstances.

### **Significant accounting estimates and judgement in applying accounting policies**

The preparation of financial statements in conformity with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, the actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period, in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### **Key sources of estimation uncertainty:**

- *Measurement of fair value of Property and Equipment*

More detailed description of fair value measurement is disclosed in Note 1 heading Property and Equipment (ii) Fair value of property and equipment. Also refer to Note 10;

## Notes to the consolidated financial statements

- *Expected Credit Loss determination*

More detailed description of fair value measurement is disclosed in Note 1 heading Fair value measurement. Also refer to Note 28;

- *Asset retirement obligation determination*

More detailed description of fair value measurement is disclosed in Note 1 heading Provisions. Also refer to Note 19;

### 2. Net sales from other types of operations

| <i>By type of operating activity</i> | 2020               | 2019<br>unaudited  |
|--------------------------------------|--------------------|--------------------|
| Sale of oil products                 | 143 103 745        | 163 319 780        |
| Retail sale of other goods           | 26 007 521         | 22 398 448         |
| Other income                         | 2 319 581          | 1 303 277          |
| <b>TOTAL:</b>                        | <b>171 430 847</b> | <b>187 021 505</b> |

| <i>By geographic market</i> | 2020               | 2019<br>unaudited  |
|-----------------------------|--------------------|--------------------|
| Latvia                      | 170 203 761        | 186 695 762        |
| Other                       | 1 227 086          | 325 743            |
| <b>TOTAL:</b>               | <b>171 430 847</b> | <b>187 021 505</b> |

| <i>Contract liabilities under Trade and Other payables</i> | 31.12.2020     | 31.12.2019<br>unaudited |
|--|----------------|-------------------------|
| Advances received  | 233 224        | 187 446                 |
| <b>TOTAL:</b>  | <b>233 224</b> | <b>187 446</b>          |

Accrued income recognised is due from retail business partners for volume discounts in 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 at revenue when goods are delivered.

No information is provided about remaining performance obligations as at 31 December 2020 or as at 31 December 2019 that have an original expected duration of one year or less, as allowed by IFRS 15.

### 3. Cost of sales

|                                 | 2020               | 2019<br>unaudited  |
|---------------------------------|--------------------|--------------------|
| Cost of oil products and goods  | 147 901 961        | 165 577 969        |
| Depreciation and amortization   | 87 803             | 153 263            |
| Personnel expenses              | 92 282             | 113 579            |
| Other costs related to property | 4 602              | 5 293              |
| Maintenance and repairs         | 34 048             | 21 227             |
| Transport                       | 411 643            | 506 220            |
| Other expenses                  | 1 562 253          | 480 452            |
| <b>TOTAL:</b>                   | <b>150 094 592</b> | <b>166 858 003</b> |

## Notes to the consolidated financial statements

### 4. Selling expenses

|   | 2020              | 2019<br>unaudited |
|---|-------------------|-------------------|
| Personnel expenses                        | 7 573 799         | 7 286 807         |
| Depreciation and amortization             | 2 898 053         | 3 232 487         |
| Other costs related to property           | 49 911            | 44 429            |
| Maintenance and repairs of infrastructure | 1 707 233         | 1 512 455         |
| Marketing expenses                        | 586 187           | 733 441           |
| Transport                                 | 511 220           | 474 744           |
| Other expenses                            | 819 826           | 989 763           |
| <b>TOTAL:</b>                             | <b>14 146 229</b> | <b>14 274 126</b> |

### 5. Administrative expenses

|                                   | 2020             | 2019<br>unaudited |
|-----------------------------------|------------------|-------------------|
| Personnel expenses                | 1 291 334        | 1 252 489         |
| Depreciation and amortization     | 181 279          | 158 385           |
| Other costs related to property   | 13 825           | 16 625            |
| Maintenance and repairs of office | 40 094           | 33 891            |
| Transport                         | 75 661           | 61 603            |
| Professional services *           | 196 572          | 148 874           |
| Other expenses                    | 103 737          | 106 676           |
| <b>TOTAL:</b>                     | <b>1 902 502</b> | <b>1 778 543</b>  |

\* including total remuneration paid to certified auditors:

|  | 2020          | 2019<br>unaudited |
|--|---------------|-------------------|
| AS KPMG Baltics for audit of consolidated financial statements           | 45 600        | -                 |
| SIA Deloitte Latvia for other expert engagements                         | 36 300        | -                 |
| SIA Potapoviča un Andersone for other expert engagements                 | 9 000         | -                 |
| AS KPMG Baltics for other expert engagements                             | 7 700         | 2 850             |
| SIA Ievas Liepiņas birojs for audit of consolidated financial statements | -             | 21 000            |
| SIA Ievas Liepiņas birojs for other expert engagements                   | -             | 2 000             |
| <b>TOTAL:</b>  | <b>98 600</b> | <b>25 850</b>     |



## Notes to the consolidated financial statements

### 6. Other operating income

|  | 2020           | 2019<br>unaudited |
|--|----------------|-------------------|
| Recovery of written-off/doubtful receivables   | 152 245        | 16 268            |
| Income from an insurance compensation received | 13 276         | 20 758            |
| Gain on currency exchange fluctuations, net    | -              | 4 407             |
| Other operating income                         | 21 154         | 4 600             |
| <b>TOTAL:</b>                                  | <b>186 675</b> | <b>46 033</b>     |

### 7. Other operating expenses

|   | 2020             | 2019<br>unaudited |
|---|------------------|-------------------|
| Loss from sales of property and equipment, net, incl:         | 252 279          | 94 243            |
| <i>Revenue from sales of property and equipment</i>           | <i>(577 864)</i> | <i>(193 356)</i>  |
| <i>Non-amortised value of disposed property and equipment</i> | <i>830 143</i>   | <i>287 599</i>    |
| Changes in doubtful debt allowances                           | 254 744          | 10 924            |
| Loss on currency exchange fluctuations, net                   | 10 836           | -                 |
| Donations   | 1 000            | 2 500             |
| Bank charges  | 16 075           | 55 304            |
| Other operating expenses                                      | 265 478          | 175 828           |
| <b>TOTAL:</b>   | <b>800 412</b>   | <b>338 799</b>    |

### 8. Corporate income tax

#### Corporate income tax recognised in the statement of comprehensive income

Corporate income tax is calculated by the Group according to the laws and regulations of the Republic of Latvia.

|               | 2020         | 2019<br>unaudited |
|---------------|--------------|-------------------|
| Current tax   | 1 837        | 3 390             |
| <b>TOTAL:</b> | <b>1 837</b> | <b>3 390</b>      |

#### Reconciliation of effective tax rate

Current corporate income tax expenses for the years ending on 31 December 2020 and 31 December 2019 is different from the theoretical tax amount that the Group would incur if profit before tax was taxed at the statutory rate of 20%:

|  | 2020             | 2019<br>unaudited |
|--|------------------|-------------------|
| <b>Profit before corporate income tax</b>  | <b>4 189 014</b> | <b>3 557 488</b>  |
| Theoretical tax at 20%                     | 837 803          | 711 498           |
| Expected distribution of retained earnings | (835 966)        | (708 108)         |
| <b>Tax expenses</b>                        | <b>1 837</b>     | <b>3 390</b>      |

All retained profits of the Group for period until January 1, 2019, were distributed as dividends. If all retained profits would have been distributed as dividends at the reporting date the Group would incur tax liability of 2 532 662 EUR at theoretical tax rate 20%. In relation

## Notes to the consolidated financial statements

to potential deferred tax liabilities in subsidiaries of the Group relating to retained earnings the management assessed that such profit distribution is not expected in the foreseeable future and thus no deferred tax liabilities were recognised.

### 9. Intangible assets

|  | Concessions,<br>patents, licenses,<br>trademarks and<br>similar rights | Other intangible<br>assets | Creation of<br>intangible assets | TOTAL          |
|--|--|----------------------------|----------------------------------|----------------|
| <b>Historical cost</b>                         |  |                            |                                  |                |
| <b>1 January 2019 (unaudited)</b>              | <b>24 869</b>  | <b>232 838</b>             | -                                | <b>257 707</b> |
| Additions                                      | 13 665   | 47 105                     | -                                | 60 770         |
| Disposal                                       | (3 884)  | (3 842)                    | -                                | (7 726)        |
| <b>31 December 2019 (unaudited)</b>            | <b>34 650</b>  | <b>276 101</b>             | -                                | <b>310 751</b> |
| Additions                                      | 35 208   | 54 371                     | 83 541                           | 173 120        |
| Disposal                                       | -  | (360)                      | -                                | (360)          |
| Reclassification                               | 51 501   | 32 040                     | (83 541)                         | -              |
| <b>31 December 2020</b>                        | <b>121 359</b>   | <b>362 152</b>             | -                                | <b>483 511</b> |
| <b>Accumulated amortization</b>                |  |                            |                                  |                |
| <b>1 January 2019 (unaudited)</b>              | <b>17 489</b>  | <b>195 047</b>             | -                                | <b>212 536</b> |
| Calculated amortization                        | 5 783  | 50 038                     | -                                | 55 821         |
| Accumulated amortization of<br>disposed assets | (3 884)  | (3 842)                    | -                                | (7 726)        |
| <b>31 December 2019 (unaudited)</b>            | <b>19 388</b>  | <b>241 243</b>             | -                                | <b>260 631</b> |
| Calculated amortization                        | 12 931   | 67 775                     | -                                | 80 706         |
| Accumulated amortization of<br>disposed assets | -  | (360)                      | -                                | (360)          |
| <b>31 December 2020</b>                        | <b>32 319</b>  | <b>308 658</b>             | -                                | <b>340 977</b> |
| <b>Carrying amount</b>                         |  |                            |                                  |                |
| <b>1 January 2019 (unaudited)</b>              | <b>7 380</b>   | <b>37 791</b>              | -                                | <b>45 171</b>  |
| <b>31 December 2019 (unaudited)</b>            | <b>15 262</b>  | <b>34 858</b>              | -                                | <b>50 120</b>  |
| <b>31 December 2020</b>                        | <b>89 040</b>  | <b>53 494</b>              | -                                | <b>142 534</b> |

## Notes to the consolidated financial statements

### 10. Fixed assets

|   | Land, buildings and engineering structures | Leasehold improvements | Equipment and machinery | Other property and equipment | Construction in progress | Prepayments for property and equipment | TOTAL             |
|---|--|------------------------|-------------------------|------------------------------|--------------------------|--|-------------------|
| <b>Historical cost</b>  |  |                        |                         |                              |                          |  |                   |
| <b>1 January 2019 (unaudited)</b>   | <b>32 446 102</b>                          | <b>848 970</b>         | <b>5 564 472</b>        | <b>3 194 768</b>             | <b>961 119</b>           | <b>126 129</b>                         | <b>43 141 560</b> |
| Additions   | 713 874                                    | 155 246                | 470 884                 | 1 026 584                    | 5 893 414                | 189 621                                | 8 449 623         |
| Revaluation*  | 8 470 100                                  | -                      | -                       | -                            | -                        | -                                      | 8 470 100         |
| Reclassification  | 4 016 703                                  | 167 644                | 1 041 457               | 236 408                      | (5 388 017)              | (74 195)                               | -                 |
| Revalued portion of disposed property and equipment                                 | (84 756)                                   | -                      | -                       | -                            | -                        | -                                      | (84 756)          |
| Cost of disposed fixed assets   | (1 091 744)                                | -                      | (288 968)               | (477 157)                    | -                        | -                                      | (1 857 869)       |
| <b>31 December 2019 (unaudited)</b>   | <b>44 470 279</b>                          | <b>1 171 860</b>       | <b>6 787 845</b>        | <b>3 980 603</b>             | <b>1 466 516</b>         | <b>241 555</b>                         | <b>58 118 658</b> |
| Additions   | 1 235 556                                  | 33 642                 | 623 244                 | 931 811                      | 3 848 500                | 235 827                                | 6 908 580         |
| Reclassification  | 2 838 196                                  | 88 404                 | 856 232                 | 312 039                      | (3 869 179)              | (225 692)                              | -                 |
| Revalued portion of disposed property and equipment                                 | (187 506)                                  | -                      | -                       | -                            | -                        | -                                      | (187 506)         |
| Cost of disposed fixed assets   | (588 038)                                  | -                      | (481 675)               | (328 036)                    | -                        | -                                      | (1 397 749)       |
| <b>31 December 2020</b>   | <b>47 768 487</b>                          | <b>1 293 906</b>       | <b>7 785 646</b>        | <b>4 896 417</b>             | <b>1 445 837</b>         | <b>251 690</b>                         | <b>63 441 983</b> |
| <b>Accumulated depreciation and impairment</b>                                      |  |                        |                         |                              |                          |  |                   |
| <b>1 January 2019 (unaudited)</b>   | <b>4 031 747</b>                           | <b>165 352</b>         | <b>2 790 331</b>        | <b>1 823 097</b>             | -                        | -                                      | <b>8 810 527</b>  |
| Depreciation, depreciation of the revalued part*                                    | 1 574 295                                  | 93 445                 | 639 938                 | 609 084                      | -                        | -                                      | 2 916 762         |
| Accumulated depreciation of the revalued portion of disposed property and equipment | (9 164)                                    | -                      | -                       | -                            | -                        | -                                      | (9 164)           |
| Accumulated depreciation of disposed property and equipment                         | (1 046 400)                                | -                      | (161 701)               | (437 761)                    | -                        | -                                      | (1 645 862)       |
| <b>31 December 2019 (unaudited)</b>   | <b>4 550 478</b>                           | <b>258 797</b>         | <b>3 268 568</b>        | <b>1 994 420</b>             | -                        | -                                      | <b>10 072 263</b> |
| Depreciation, depreciation of the revalued part*                                    | 1 068 734                                  | 120 366                | 569 018                 | 775 464                      | -                        | -                                      | 2 533 582         |
| Reclassification  | -  | -                      | 1 870                   | (1 870)                      | -                        | -                                      | -                 |
| Accumulated depreciation of the revalued portion of disposed property and equipment | (6 027)                                    | -                      | -                       | -                            | -                        | -                                      | (6 027)           |
| Accumulated depreciation of disposed property and equipment                         | (63 746)                                   | -                      | (384 647)               | (313 287)                    | -                        | -                                      | (761 680)         |
| <b>31 December 2020</b>   | <b>5 549 439</b>                           | <b>379 163</b>         | <b>3 454 809</b>        | <b>2 454 727</b>             | -                        | -                                      | <b>11 838 138</b> |
| <b>Carrying amount</b>  |  |                        |                         |                              |                          |  |                   |
| <b>1 January 2019 (unaudited)</b>   | <b>28 414 355</b>                          | <b>683 618</b>         | <b>2 774 141</b>        | <b>1 371 671</b>             | <b>961 119</b>           | <b>126 128</b>                         | <b>34 331 032</b> |
| <b>31 December 2019 (unaudited)</b>   | <b>39 919 801</b>                          | <b>913 063</b>         | <b>3 519 277</b>        | <b>1 986 183</b>             | <b>1 466 516</b>         | <b>241 555</b>                         | <b>48 046 395</b> |
| <b>31 December 2020</b>   | <b>42 219 048</b>                          | <b>914 743</b>         | <b>4 330 837</b>        | <b>2 441 690</b>             | <b>1 445 837</b>         | <b>251 690</b>                         | <b>51 603 845</b> |

\* On 30 December 2019 the Group revalued property and equipment under category Land, buildings and engineering structures to fair value. The result of revaluation (appreciation) was recorded in the accounting records of the Group on 30 December 2019. 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 the end of 2020 is not materially different from the carrying amount.

The carrying amount of Land, buildings and engineering structures evaluated at fair value at 31 December 2020 would have been 26 108 156 EUR (2019: 23 437 899 EUR) if all category had been accounted using the cost method.

All fixed assets under "Land, buildings and engineering structures" represent Level 3 fair value hierarchy.

The following table shows the valuation technique used in measuring the fair value of Land, buildings and engineering structures, as well as the significant unobservable inputs used for 2019:

## Notes to the consolidated financial statements

| Type  | Fair value,<br>EUR<br>2019<br>(unaudited) | Valuation technique   | Significant unobservable inputs  | Inter-relation between significant<br>unobservable inputs and fair value<br>measurement  |
|---|---|---|--|--|
| Filling stations<br>with<br>equipment           | 35 705 500                                | Discounted cash flows   | <ul style="list-style-type: none"> <li>- Discount rate ranging from 13% to 19.5%</li> <li>- Gross revenue assumption in year one for fuel sales from EUR 50 thousand to EUR 381 thousand</li> <li>- Gross revenue assumption in year one for store sales from EUR 13 thousand to EUR 256 thousand</li> <li>- Revenue growth from year 3 or 4 1.0% - 2.0% p.a.</li> </ul> | Market value may increase (reduce) if:<br><ul style="list-style-type: none"> <li>- Discount rate reduces (increases);</li> <li>- Initial gross revenue from fuel and store sales increases (reduces);</li> <li>- Maintenance cost of filling stations reduces (increases);</li> <li>- Forecast of changes in revenue increases (reduces).</li> </ul>                       |
| Oil storage<br>facility /<br>railway<br>network | 2 005 000                                 | Discounted cash flows /<br>capitalisation of lease<br>revenue | <ul style="list-style-type: none"> <li>- Discount rate 17.5%</li> <li>- Capitalisation rate 8.5%</li> <li>- Rent 0.14 EUR/m2 (land) to 3.0 EUR/t (fuel)</li> <li>- Occupancy rate 40-95% p.a.</li> <li>- Revenue growth from year 2 1.0% - 2.0% p.a.</li> </ul>  | Market value may increase (reduce) if:<br><ul style="list-style-type: none"> <li>- Discount / capitalisation rate reduces (increases);</li> <li>- Rent increases (reduces);</li> <li>- Occupancy increases (reduces);</li> <li>- Maintenance cost of real estate properties reduces (increases);</li> <li>- Forecast of changes in revenue increases (reduces).</li> </ul> |
| Commercial<br>buildings                         | 45 000                                    | Discounted cash flows   | <ul style="list-style-type: none"> <li>- Discount rate 12.0%</li> <li>- Rent 1.5-2.0 EUR/m2</li> <li>- Occupancy rate 75-90% p.a.</li> <li>- Revenue growth from year 3 0.5% - 1.5% p.a.</li> </ul>  | Market value may increase (reduce) if:<br><ul style="list-style-type: none"> <li>- Discount rate reduces (increases);</li> <li>- Rent increases (reduces);</li> <li>- Occupancy increases (reduces);</li> <li>- Maintenance cost of real estate properties reduces (increases);</li> <li>- Forecast of changes in revenue increases (reduces).</li> </ul>                  |

### 11. Movements in right-of-use assets

The right-of-use asset was recognised according to IFRS 16 *Leases*.

|   | Leased<br>Equipment and<br>machinery | Leased real<br>estate property | Total leased<br>assets |
|---|--------------------------------------|--------------------------------|------------------------|
| <b>Historical cost</b>                                      |                                      |                                |                        |
| <b>1 January 2019 (unaudited)</b>                           | <b>1 309 271</b>                     | <b>1 823 722</b>               | <b>3 132 993</b>       |
| Additions   | 156 773                              | -                              | 156 773                |
| <b>31 December 2019 (unaudited)</b>                         | <b>1 466 044</b>                     | <b>1 823 722</b>               | <b>3 289 766</b>       |
| Additions   | 456 345                              | -                              | 456 345                |
| Cost of disposed fixed assets                               | (36 948)                             | -                              | (36 948)               |
| <b>31 December 2020</b>                                     | <b>1 885 441</b>                     | <b>1 823 722</b>               | <b>3 709 163</b>       |
| <b>Accumulated depreciation and impairment</b>              |                                      |                                |                        |
| <b>1 January 2019 (unaudited)</b>                           | <b>292 818</b>                       | -                              | <b>292 818</b>         |
| Charge for the period                                       | 336 402                              | 235 150                        | 571 552                |
| <b>31 December 2019 (unaudited)</b>                         | <b>629 220</b>                       | <b>235 150</b>                 | <b>864 370</b>         |
| Charge for the period                                       | 317 698                              | 235 150                        | 552 848                |
| Accumulated depreciation of disposed property and equipment | (24 353)                             | -                              | (24 353)               |
| <b>31 December 2020</b>                                     | <b>922 565</b>                       | <b>470 300</b>                 | <b>1 392 865</b>       |
| <b>Balance as at 1 January 2019 (unaudited)</b>             | <b>1 016 453</b>                     | <b>1 823 722</b>               | <b>2 840 175</b>       |
| <b>Balance as at 31 December 2019 (unaudited)</b>           | <b>836 824</b>                       | <b>1 588 572</b>               | <b>2 425 396</b>       |
| <b>Balance as at 31 December 2020</b>                       | <b>962 876</b>                       | <b>1 353 422</b>               | <b>2 316 298</b>       |

## Notes to the consolidated financial statements

### 12. Investment in associate

From 1 July 2016 the Group holds a 30% interest in SIA Gulf Petrol RE. The investment in the associated company is carried according to the equity method.

|  | 31.12.2020     | 31.12.2019<br>unaudited | 01.01.2019<br>unaudited |
|--|----------------|-------------------------|-------------------------|
| <b>Ownership interest in the associate</b>         | <b>30%</b>     | <b>30%</b>              | <b>30%</b>              |
| Non-current assets                                 | 1 183 314      | 1 251 357               | 1 317 620               |
| Current assets                                     | 42 802         | 44 748                  | 50 041                  |
| Non-current liabilities                            | (998 100)      | (1 076 000)             | (1 152 000)             |
| Current liabilities                                | (37 496)       | (38 253)                | (38 818)                |
| <b>Net assets</b>                                  | <b>190 520</b> | <b>181 852</b>          | <b>176 843</b>          |
| <b>Share in Net asset value (30%)</b>              | <b>57 156</b>  | <b>54 556</b>           | <b>53 053</b>           |
| Turnover   | 113 300        | 113 041                 | 112 800                 |
| Comprehensive income, net                          | 8 666          | 5 010                   | 7 911                   |
| <b>Group's share in comprehensive income (30%)</b> | <b>2 600</b>   | <b>1 503</b>            | <b>2 373</b>            |
| Retained profits (30%)                             | 12 496         | 10 993                  | 8 620                   |
| <b>Investment in associate, nominal</b>            | <b>42 060</b>  | <b>42 060</b>           | <b>42 060</b>           |
| <b>Investment in associate, net</b>                | <b>57 156</b>  | <b>54 556</b>           | <b>53 053</b>           |

### 13. Inventories

|                             | 31.12.2020       | 31.12.2019<br>unaudited | 01.01.2019<br>unaudited |
|-----------------------------|------------------|-------------------------|-------------------------|
| Auxiliary materials         | 104 342          | 152 182                 | 50 141                  |
| Fuel                        | 3 136 472        | 4 111 230               | 3 301 506               |
| Other goods                 | 2 124 002        | 1 526 127               | 1 381 285               |
| Prepayments for inventories | 77 588           | 164 789                 | 62 789                  |
| <b>TOTAL:</b>               | <b>5 442 404</b> | <b>5 954 328</b>        | <b>4 795 721</b>        |

In the reporting period, the net realisable value of inventories was equal to the carrying amount. No provisions are recognised for impairment of inventories.

### 14. Trade receivables

|                                      | 31.12.2020       | 31.12.2019<br>unaudited | 01.01.2019<br>unaudited |
|--------------------------------------|------------------|-------------------------|-------------------------|
| Carrying amount of trade receivables | 9 377 607        | 12 415 011              | 10 994 470              |
| Impairment allowance                 | (510 953)        | (664 726)               | (657 400)               |
| <b>TOTAL:</b>                        | <b>8 866 654</b> | <b>11 750 285</b>       | <b>10 337 070</b>       |

## Notes to the consolidated financial statements

| Overdue days under IFRS 9     | ECL rate | Receivable | Impairment | ECL rate | Receivable           | Impairment | ECL rate | Receivable           | Impairment |
|-------------------------------|----------|------------|------------|----------|----------------------|------------|----------|----------------------|------------|
|                               |          | 31.12.2020 |            |          | 31.12.2019 unaudited |            |          | 01.01.2019 unaudited |            |
| Not past due                  | 0.1%     | 8 145 221  | 8 145      | 0.00%    | 10 001 431           | -          | 0.10%    | 9 008 530            | 9 009      |
| Overdue by 1-30               | 0.2%     | 629 853    | 1 260      | 0.10%    | 1 503 860            | 1 504      | 0.10%    | 1 346 569            | 1 347      |
| Overdue by 31-60              | 0.9%     | 108 424    | 976        | 0.40%    | 185 641              | 743        | 0.60%    | 119 972              | 720        |
| Overdue by 61-90              | 3.3%     | 39 297     | 1 297      | 1.50%    | 134 776              | 2 022      | 1.80%    | 13 530               | 244        |
| Overdue by 91-180             | 6.6%     | 28 811     | 1 902      | 2.70%    | 28 679               | 774        | 3.30%    | 35 604               | 1 175      |
| Overdue by 181-360            | 14.3%    | 55 338     | 7 913      | 5.70%    | 22 099               | 1 260      | 6.90%    | 22 016               | 1 519      |
| Overdue by> 360               | 100.0%   | 370 663    | 370 663    | 100.00%  | 538 525              | 538 525    | 100.00%  | 448 249              | 448 249    |
| Total                         |          | 9 377 607  | 392 156    |          | 12 415 011           | 544 828    |          | 10 994 470           | 462 263    |
| Individual allowance          |          |            | 118 797    |          |                      | 119 898    |          |                      | 195 137    |
| Total doubtful debt allowance |          |            | 510 953    |          |                      | 664 726    |          |                      | 657 400    |

Changes in allowances for impairment of trade receivables:

|  |                |
|--|----------------|
| <b>Impairment allowance for trade receivables as at 31.12.2018 (unaudited)</b> | <b>538 314</b> |
| Effect of implementation of IFRS 9   | 119 086        |
| <b>Impairment allowance for trade receivables as at 01.01.2019 (unaudited)</b> | <b>657 400</b> |
| Additions  | 7 960          |
| Decrease of allowances due to write-off of debts                               | (634)          |
| <b>Impairment allowance for trade receivables as at 31.12.2019 (unaudited)</b> | <b>664 726</b> |
| Additions  | 104 345        |
| Decrease of allowances due to write-off of debts                               | (258 118)      |
| <b>Impairment allowance for trade receivables as at 31.12.2020</b>             | <b>510 953</b> |

Group evaluates debtors provision according to ECL rate and individual debtors evaluation. In 2020 decrease in doubtful debts allowance is related to write off of unrecoverable debts due to liquidation of certain counterparties. Additions to provisions are due to resulting increases ECL rates in 2020 compared to 2019.

### 15. Cash and cash equivalents

|                          | 31.12.2020       | 31.12.2019 unaudited | 01.01.2019 unaudited |
|--------------------------|------------------|----------------------|----------------------|
| Cash in bank and on hand | 3 264 827        | 2 293 366            | 1 976 535            |
| Money in transit         | 411 788          | 660 879              | 899 246              |
| <b>TOTAL:</b>            | <b>3 676 615</b> | <b>2 954 245</b>     | <b>2 875 781</b>     |

### 16. Share capital and reserves

#### Share capital

Share capital of the Group in 2020 is EUR 6 677 860 (2019: EUR 910 560), comprised of 47 699 shares (2019: 6 504). Nominal value per share is EUR 140. All shares are fully paid up. Increase in the share capital and number of shares outstanding is described below on legal restructuring.

During 2020 and 2021, reorganisation was carried out in AS Virši-A and its group companies. In 2020, the Group received a capital contribution in the way of shares of two related parties SIA Viršu nekustamie īpašumi and SIA Virši loģistika (former name SIA AKA), which resulted in the creation of Virši Group.

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.

## Notes to the consolidated financial statements

No dividends were distributed in the reporting period from retained earnings of previous periods (2019: dividends of EUR 7 975 380 or 1 226, 2 EUR of dividends per share).

### Earnings per share

The calculation of earnings per share before and after dilution has been based on the following profit attributable to ordinary shareholders and weighted number of ordinary shares outstanding. There are no arrangements for dilution of shares.

|  | 2020      | 2019<br>unaudited |
|--|-----------|-------------------|
| Profit for the year, attributable to the owners of the Company | 4 187 177 | 3 554 098         |
| Weighted average number of shares                              | 47 699    | 47 699            |
| Earnings per share before and after dilution                   | 87.78     | 74.51             |

Due to legal restructuring under common control the number of shares in 2020 increased from 6 504 to 47 699. However, since the financial statements have been prepared in a way that presents the Group having formed prior to 1 January 2019, then effectively the contribution in kind of the subsidiaries did not result in increase of economic resources. Therefore, the number of shares outstanding in both periods has been adjusted to reflect the final number of shares outstanding to reflect no change in resources to the Group.

### Revaluation reserve

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

|   | 31.12.2020        | 31.12.2019<br>unaudited | 01.01.2019<br>unaudited |
|---|-------------------|-------------------------|-------------------------|
| Revaluation reserve from Land, buildings and engineering structures revaluation | 20 714 459        | 21 603 544              | 14 165 162              |
|   | <b>20 714 459</b> | <b>21 603 544</b>       | <b>14 165 162</b>       |

|  |                   |
|--|-------------------|
| <b>Balance at 01.01.2019 (unaudited)</b>   | <b>14 165 162</b> |
| Changes of revaluation reserves  | 7 606 162         |
| <i>Revaluation of Land, buildings and engineering structures (Note 10)</i>                 | 8 473 100         |
| <i>Reclassification to retained earnings (Consolidated statement of Changes in Equity)</i> | (866 938)         |
| Asset retirement obligation (Note 19)  | (167 780)         |
| <b>Balance at 31.12.2019 (unaudited)</b>   | <b>21 603 544</b> |
| Changes of revaluation reserves  | (768 611)         |
| <i>Reclassification to retained earnings (Consolidated statement of Changes in Equity)</i> | (768 611)         |
| Asset retirement obligation (Note 19)  | (120 474)         |
| <b>Balance at 31.12.2020</b>   | <b>20 714 459</b> |

### Other reserves

In 2019 shareholders provided non-interest bearing loans to the Group with undefined repayment terms. The Group assessed the expected repayment schedule based on its repayment plans discussed with the shareholders. The Group recorded a contribution of EUR 1 414 369 in equity relating to the difference between the nominal and fair value of the loans.

In 2020 the legal structure of the Group was established. Shareholders have invested a number of entities through contribution in kind investment in the share capital of the Parent on September 15, 2020. Prior to investment entities have been managed under common control. Given common control over all of the entities, it was decided to present these consolidated financial statements as if the Group had been formed prior to 1 January 2019. When contribution in kind took place in 2020 the increase in legal share capital was determined based on fair value of the businesses determined by an independent appraiser. However, the consolidated financial statements of the Group's subsidiaries were incorporated in these consolidated financial statements based on accounting principles set out in the significant accounting policies. Therefore, upon the legal reorganisation an increase in share capital was recorded and a corresponding decrease to other reserves in the amount of EUR 5 764 520 was recorded.

## Notes to the consolidated financial statements

|   |                    |
|---|--------------------|
| <b>Balance at 01.01.2019 (unaudited)</b>                | <b>144 112</b>     |
| Contribution via non-interest bearing shareholder loans | 1 414 369          |
| <b>Balance at 31.12.2019 (unaudited)</b>                | <b>1 558 481</b>   |
| Changes due to legal reorganisation                     | (5 764 520)        |
| <b>Balance at 31.12.2020</b>                            | <b>(4 206 039)</b> |

### 17. Loans from credit institutions

|   | 31.12.2020        | 31.12.2019<br>unaudited | 01.01.2019<br>unaudited |
|---|-------------------|-------------------------|-------------------------|
| <b>Long-term</b>  |                   |                         |                         |
| Loan from a credit institution registered in the Republic of Latvia | 8 833 223         | 7 830 269               | 4 092 780               |
| <b>Including:</b>   |                   |                         |                         |
| Long term part of loans repayable in up to 5 years                  | 8 833 223         | 7 830 269               | 4 040 266               |
| Long term part of loans repayable after 5 years until maturity      | -                 | -                       | 52 514                  |
| <b>Short-term</b>   | 31.12.2020        | 31.12.2019              | 01.01.2019              |
| Loan from a credit institution registered in the Republic of Latvia | 2 143 482         | 1 834 550               | 2 371 639               |
| <b>TOTAL:</b>   | <b>10 976 705</b> | <b>9 664 819</b>        | <b>6 464 419</b>        |

In March 2020, the Group received a loan of EUR 2.0 million to expand and modernise the network of filling stations, incl. that of CNG stations.

In July 2019, the Group fully refinanced its credit liabilities towards a credit institution registered in Latvia and received additional funds for the expansion and modernisation of the network of filling stations.

Group holds unutilized credit facility at balance sheet dates that is prolonged on annual basis. Facility limit is EUR 2.0 million.

All loans carry interest rates of 3M or 6M EURIBOR plus an added rate. The added rates range from 1.67% 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 1.20, 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 and POS terminals should be installed. These covenants are complied with.

### 18. Other loans

|   | 31.12.2020       | 31.12.2019<br>unaudited | 31.12.2019<br>unaudited |
|---|------------------|-------------------------|-------------------------|
| <b>Long term:</b>                                   |                  |                         |                         |
| Interest-free, unsecured loan from the shareholders | 6 624 790        | 7 390 231               | 2 478 259               |
| <b>TOTAL long-term loans:</b>                       | <b>6 624 790</b> | <b>7 390 231</b>        | <b>2 478 259</b>        |
| <b>Short term:</b>                                  |                  |                         |                         |
| Interest-free, unsecured loan from the shareholders | 1 000 000        | 940 000                 | 1 000 000               |
| <b>TOTAL other short-term loans:</b>                | <b>1 000 000</b> | <b>940 000</b>          | <b>1 000 000</b>        |
| <b>TOTAL other loans:</b>                           | <b>7 624 790</b> | <b>8 330 231</b>        | <b>3 478 259</b>        |
| <i>Nominal value total:</i>                         |                  |                         |                         |
| Interest-free, unsecured loan from the shareholders | 8 915 531        | 9 855 531               | 3 677 689               |

Shareholder loans are carried at fair value using the discounted cash flow method with the difference between the nominal and fair value recognised under Other reserves. Finance expenses include interest expenses on the loan at fair value. Shareholder loans term split



## Notes to the consolidated financial statements

disclosed according to budgeted cash flow and according to concluded loan agreements, and according to covenants mentioned in the loan agreement with financial institution.

### 19. Asset retirement obligation

|  |                |
|--|----------------|
| <b>Balance as at 1 January 2019 (unaudited)</b>  | <b>500 339</b> |
| <i>Change in Revaluation reserve from Land, buildings and engineering structures revaluation</i> | 167 780        |
| Provision made during the period   | 101 491        |
| Change in discount rate  | 83 747         |
| Change in estimates  | (17 458)       |
| <i>Unwinding of discounting</i>  | 1 602          |
| <b>Balance as at 31 December 2019 (unaudited)</b>  | <b>669 721</b> |
| <i>Change in Revaluation reserve from Land, buildings and engineering structures revaluation</i> | 120 474        |
| Provision made during the period   | 31 733         |
| Change in discount rate  | 91 177         |
| Change in estimates  | (2 436)        |
| <i>Unwinding of discounting</i>  | (1 273)        |
| <b>Balance as at 31 December 2020</b>  | <b>788 922</b> |

The Group's accounting policy on Assets retirement obligation refer to Note 1.

### 20. Lease liabilities

IFRS 16 Leases was adopted using the modified retrospective approach rather than the full adoption approach.

Lease liabilities arise from right-of-use assets disclosed on the balance sheet under Right-of-use assets (Note 11).

The present value of future lease payments is calculated using the effective interest rate applicable to the specific category of property and equipment in the reporting period. The average rate is 2.38% p.a.

|   |                  |
|---|------------------|
| <b>Balance as at 1 January 2019 (unaudited)</b>               |                  |
| Value at initial recognition                                  | 2 765 526        |
| Recognised modifications in lease contracts                   | 156 773          |
| Repayment of lease liabilities                                | (693 412)        |
| Recognised interest expenses on lease                         | 45 781           |
| Paid interest expenses on lease                               | (10 076)         |
| <b>Balance as at 31 December 2019 (unaudited), including:</b> | <b>2 274 659</b> |
| <i>Non-current lease liabilities</i>                          | 1 791 311        |
| <i>Current lease liabilities</i>                              | 483 348          |
| <b>Balance as at 31 December 2019 (unaudited)</b>             | <b>2 274 659</b> |
| Recognised modifications in lease contracts                   | 443 750          |
| Repayment of lease liabilities                                | (625 369)        |
| Recognised interest expenses on lease                         | 44 339           |
| Paid interest expenses on lease                               | (11 160)         |
| <b>Balance as at 31 December 2020, including:</b>             | <b>2 137 379</b> |
| <i>Non-current lease liabilities</i>                          | 1 607 622        |
| <i>Current lease liabilities</i>                              | 529 757          |

## Notes to the consolidated financial statements

|  | Carrying amount  | Undiscounted cash flow |
|--|------------------|------------------------|
| <b>31 December 2019 (unaudited)</b>                            |                  |                        |
| <i>Lease liabilities, including:</i>                           | <b>2 274 659</b> | <b>2 449 617</b>       |
| Amount payable within one year, i.e. current lease liabilities | 483 348          | 523 890                |
| Amount payable within 2- 5 years                               | 1 078 911        | 1 162 391              |
| Amount payable in more than 5 years                            | 712 400          | 763 336                |
| <b>31 December 2020</b>  |                  |                        |
| <i>Lease liabilities, including:</i>                           | <b>2 137 379</b> | <b>2 278 454</b>       |
| Amount payable within one year, i.e. current lease liabilities | 529 757          | 562 991                |
| Amount payable within 2- 5 years                               | 1 057 533        | 1 125 927              |
| Amount payable in more than 5 years                            | 550 089          | 589 537                |

|  | 2020           | 2019<br>unaudited |
|--|----------------|-------------------|
| <b>Leases</b>                          |                |                   |
| Interest expense on lease liabilities  | 44 339         | 45 781            |
| Expenses relating to short-term leases | 364 180        | 435 522           |
|  | <b>397 359</b> | <b>471 227</b>    |

### Amounts recognised in statement of cash flows

|  |         |
|--|---------|
| Total cash outflow for leases 2020             | 651 875 |
| Total cash outflow for leases 2019 (unaudited) | 700 355 |

## Notes to the consolidated financial statements

### 21. Movements in financing

|   | Loans from credit institutions | Other loans        | Lease liabilities | Total              |
|---|--------------------------------|--------------------|-------------------|--------------------|
| <b>Carrying amount 1 January 2019 (unaudited)</b>                     | <b>6 464 419</b>               | <b>3 478 259</b>   | <b>2 765 526</b>  | <b>12 708 204</b>  |
| Loan principal repaid   | (4 613 137)                    | (1 000 000)        | -                 | (5 613 137)        |
| Lease payments  | -                              | -                  | (683 345)         | (683 345)          |
| <b>Cash flows from financing activities</b>                           | <b>(4 613 137)</b>             | <b>(1 000 000)</b> | <b>(683 345)</b>  | <b>(6 296 482)</b> |
| New loans from credit institutions                                    | 7 813 537                      | -                  | -                 | 7 813 537          |
| New shareholder loan (see note 16)                                    | -                              | 7 177 843          | -                 | 7 177 843          |
| New lease liabilities   | -                              | -                  | 156 773           | 156 773            |
| Contribution via non-interest bearing shareholder loans (see note 16) | -                              | (1 414 369)        | -                 | (1 414 369)        |
| Interest expenses   | 132 527                        | -                  | 10 076            | 142 603            |
| Financial expenses including unwinding of discount                    | -                              | 88 498             | 35 705            | 124 203            |
| Interest paid   | (132 527)                      | -                  | (10 076)          | (142 603)          |
| Total changes in liabilities  | 3 200 400                      | 4 851 972          | (490 867)         | 7 561 505          |
| <b>Carrying amount 31 December 2019 (unaudited)</b>                   | <b>9 664 819</b>               | <b>8 330 231</b>   | <b>2 274 659</b>  | <b>20 269 709</b>  |
| Loan principal repaid   | (2 009 274)                    | (940 000)          | -                 | (2 949 274)        |
| Lease payments  | -                              | -                  | (614 209)         | (614 209)          |
| <b>Cash flows from financing activities</b>                           | <b>(2 009 274)</b>             | <b>(940 000)</b>   | <b>(614 209)</b>  | <b>(3 563 483)</b> |
| New loans from credit institutions                                    | 3 321 160                      | -                  | -                 | 3 321 160          |
| New lease liabilities   | -                              | -                  | 443 750           | 443 750            |
| Interest expenses   | 220 661                        | -                  | 11 160            | 231 821            |
| Financial expenses including unwinding of discount                    | -                              | 234 559            | 33 179            | 267 738            |
| Interest paid   | (220 661)                      | -                  | (11 160)          | (231 821)          |
| Total changes in liabilities  | 1 311 886                      | (705 441)          | (137 280)         | 469 165            |
| <b>Carrying amount 31 December 2020</b>                               | <b>10 976 705</b>              | <b>7 624 790</b>   | <b>2 137 379</b>  | <b>20 738 874</b>  |

#### Finance expenses:

|  | 2020           | 2019<br>unaudited |
|--|----------------|-------------------|
| Interest expense from Shareholders loan discount unwinding | 234 559        | 88 499            |
| Other financial expenses                                   | 6              | 2 817             |
| Interest expenses for bank loans                           | 220 661        | 132 527           |
| Interest expenses for lease                                | 44 339         | 45 781            |
| <b>TOTAL:</b>  | <b>499 565</b> | <b>269 624</b>    |

### 22. Accrued liabilities

|                  | 31.12.2020       | 31.12.2019<br>unaudited | 01.01.2019<br>unaudited |
|------------------|------------------|-------------------------|-------------------------|
| Due to suppliers | 1 163 461        | 1 161 499               | 742 442                 |
| Due to personnel | 510 935          | 453 856                 | 399 782                 |
| <b>TOTAL:</b>    | <b>1 674 396</b> | <b>1 615 355</b>        | <b>1 142 224</b>        |

## Notes to the consolidated financial statements

### 23. Expenses by nature

|                                   | 2020               | 2019<br>unaudited  |
|-----------------------------------|--------------------|--------------------|
| Cost of materials                 | 147 901 961        | 165 577 969        |
| Employee payroll and benefits     | 8 957 415          | 8 652 875          |
| Depreciation and amortisation     | 3 167 135          | 3 544 135          |
| Property and maintenance expenses | 1 849 713          | 1 633 920          |
| Logistics                         | 998 524            | 1 042 567          |
| Marketing                         | 586 187            | 733 441            |
| Finance income and expenses       | 484 773            | 260 579            |
| Consultancy                       | 196 572            | 148 874            |
| Other                             | 3 101 390          | 1 873 047          |
| <b>TOTAL:</b>                     | <b>167 243 670</b> | <b>183 467 407</b> |

### 24. Tax liabilities and tax assets

|                               | 31.12.2020       | 31.12.2019<br>unaudited | 01.01.2019<br>unaudited |
|-------------------------------|------------------|-------------------------|-------------------------|
| Social security contributions | 223 864          | 214 852                 | 183 231                 |
| Personal income tax           | 93 261           | 384 348                 | 81 673                  |
| Excise tax                    | 2 563 316        | 1 783 280               | 1 519 206               |
| Corporate income tax          | (13 982)         | (73 972)                | (81 887)                |
| Value added tax               | 523 646          | 385 631                 | 516 255                 |
| Natural resources tax         | 786              | 1 067                   | 1 506                   |
| Real estate tax               | (2 201)          | 199                     | 242                     |
| Company car tax               | 195              | 50                      | 1 123                   |
| Business risk state duty      | -                | 2                       | -                       |
| <b>Total tax liabilities:</b> | <b>3 405 068</b> | <b>2 769 429</b>        | <b>2 303 236</b>        |
| <b>TOTAL tax receivables:</b> | <b>(16 183)</b>  | <b>(73 972)</b>         | <b>(81 887)</b>         |

Tax receivables are represented by Corporate income tax receivable and Real estate tax receivable. Real estate tax receivable is part of Other assets caption of the balance sheet as at 31 December 2020.

### 25. Personnel costs and number of staff

|  | 2020             | 2019<br>unaudited |
|--|------------------|-------------------|
| Remuneration                                   | 7 232 773        | 6 986 731         |
| Compulsory state social security contributions | 1 724 642        | 1 666 144         |
| <i>Expenses for reporting period include:</i>  |                  |                   |
| Other personnel cost                           | 318 490          | 297 762           |
| <b>TOTAL:</b>                                  | <b>9 275 905</b> | <b>8 950 637</b>  |

## Notes to the consolidated financial statements

### Including remuneration to key management

|   | 2020           | 2019<br>unaudited |
|---|----------------|-------------------|
| <b>Members of the Board and Council</b>   |                |                   |
| Remuneration                              | 344 150        | 259 648           |
| Compulsory state social security payments | 82 548         | 62 281            |
| <b>TOTAL:</b>                             | <b>426 698</b> | <b>321 929</b>    |

Average number of employees in the reporting year:

|                        | 2020       | 2019<br>unaudited |
|------------------------|------------|-------------------|
| Members of the Council | 3          | 3                 |
| Members of the Board   | 5          | 5                 |
| Other staff            | 552        | 520               |
| <b>TOTAL:</b>          | <b>560</b> | <b>528</b>        |

### 26. 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.

There are no significant financial commitments, guarantees or other contingencies besides mentioned above as at reporting date.

### 27. Related party transactions

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

| Related party:                                | Description of transaction                 | Balance/amount of transaction |                   |                   |
|---|--|-------------------------------|-------------------|-------------------|
|   |  | 2020                          | 2019<br>unaudited | 2018<br>unaudited |
| <b>Associate</b>                              |  |                               |                   |                   |
| Balances                                      | Loan to the associate                      | 303 200                       | 328 000           | 352 000           |
| Balances                                      | Right-of-use assets                        | 627 538                       | 733 695           | 839 851           |
| Balances                                      | Lease liabilities                          | 641 079                       | 741 359           | 839 851           |
| Comprehensive income                          | Interest income                            | 6 994                         | 7 519             | NA                |
| Comprehensive income                          | Interest payable on the right-of-use asset | 12 520                        | 14 307            | NA                |
| <b>Companies related through shareholders</b> |  |                               |                   |                   |
| Balances                                      | Prepayments for services                   | 41 060                        | 55 579            | 5 916             |
| Comprehensive income                          | Fuelling services                          | (1 822 233)                   | (2 109 209)       | NA                |
| Comprehensive income                          | Income from agent services                 | 18 320                        | 21 092            | NA                |
| <b>Shareholders</b>                           |  |                               |                   |                   |
| Balances                                      | Shareholder loan                           | 7 624 790                     | 8 330 231         | 3 478 259         |
| Comprehensive income                          | Finance expenses                           | (234 559)                     | (88 499)          | NA                |

For management remuneration please refer to Note 25.

## Notes to the consolidated financial statements

### 28. Fair value of financial assets and liabilities

#### 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.

| 31 December 2020               | Level 1<br>EUR | Level 2<br>EUR | Level 3<br>EUR | Total fair<br>values<br>EUR | Total carrying<br>amount<br>EUR |
|--------------------------------|----------------|----------------|----------------|-----------------------------|---------------------------------|
| <b>Financial assets</b>        |                |                |                |                             |                                 |
| Loan to Associate              | -              | -              | -              | 303 200                     | 303 200                         |
| Trade receivables              | -              | -              | -              | 8 866 654                   | 8 866 654                       |
| Cash and cash equivalents      | -              | -              | -              | 3 676 615                   | 3 676 615                       |
| <b>Financial liabilities</b>   |                |                |                |                             |                                 |
| Loans from credit institutions | -              | -              | 10 645 167     | 10 645 167                  | 10 976 705                      |
| Other loans                    | -              | -              | 7 624 790      | 7 624 790                   | 7 624 790                       |
| Trade and other payables       | -              | -              | -              | 9 593 592                   | 9 593 592                       |

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 2019 (unaudited)   | Level 1<br>EUR | Level 2<br>EUR | Level 3<br>EUR | Total fair<br>values<br>EUR | Total carrying<br>amount<br>EUR |
|--------------------------------|----------------|----------------|----------------|-----------------------------|---------------------------------|
| <b>Financial assets</b>        |                |                |                |                             |                                 |
| Loan to Associate              | -              | -              | -              | 328 000                     | 328 000                         |
| Trade receivables              | -              | -              | -              | 11 750 285                  | 11 750 285                      |
| Cash and cash equivalents      | -              | -              | -              | 2 954 245                   | 2 954 245                       |
| <b>Financial liabilities</b>   |                |                |                |                             |                                 |
| Loans from credit institutions | -              | -              | 9 361 285      | 9 361 285                   | 9 664 819                       |
| Other loans                    | -              | -              | 8 330 231      | 8 330 231                   | 8 330 231                       |
| Trade and other payables       | -              | -              | -              | 14 109 879                  | 14 109 879                      |

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:

## Notes to the consolidated financial statements

| Type              | Valuation method              | Significant unobservable data  |
|-------------------|-------------------------------|--|
| Trade receivables | Expected credit loss, IFRS 9  | Expected credit loss assumptions described in note 15.   |
| Other Loans       | Discounted cash flow, NPV     | Loan repayment structure assumed in line with budgeted cash flows and bank loan covenants. Discount rate applied based on weighted average discount rate for non-banking institutions at loan issue period, reported by Bank of Latvia evaluated against the cost of funds for collateralised borrowings of the Group. |
| Lease liabilities | Discounted cash flow, IFRS 16 | Lease liabilities calculated according to IFRS 16 rules; discount rates applied according to type of asset rented and available financing rate for specific assets from financial institutions in company.   |

### 29. Financial risks management

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 year. 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 recognized in the profit and loss statement at net amount.

There are no assets in foreign currencies as at the reporting date.

##### 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.

A reasonably possible change of 100 basis points in interest rates at 31 December 2020 and 2019 would have increased (decreased) profit (loss) before taxes by the amounts for +/- 103 208 euro (2019: +/- 80 646 euro) . 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.

## Notes to the consolidated financial statements

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 minimize 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 authorization, 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 disclosure and aging analysis provided in Trade receivables disclosure of the consolidated Financial statement. (refer to Note 15.)

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.

### 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. Group's liquidity is managed centralized and monitored on continuous basis. Target Net debt/ EBITDA ratio on consolidated basis is 1.5 – 2.5 and IFRS 16 unadjusted current ratio above 1.0.

COVID-19 pandemic did not have an effect on the Group's liquid funds and committed unutilized credit facilities.

Virši principal source of liquidity 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 17.)

Certain other limits have also been set to minimize liquidity and refinancing risks.

| 31 December 2020                   | Carrying amount   | Contractual cash flows (undiscontd.) | 0-6 months        | 6-12 months      | 1Y               | 2Y               | 3Y               | 4Y               | 5Y             | Over 5 years     |
|------------------------------------|-------------------|--------------------------------------|-------------------|------------------|------------------|------------------|------------------|------------------|----------------|------------------|
| Loans from credit institutions     | 10 976 705        | 11 463 309                           | 983 401           | 1 060 519        | 2 095 039        | 2 060 373        | 4 547 326        | 716 652          | -              | -                |
| Other loans                        | 7 624 790         | 8 915 531                            | 393 333           | 606 667          | 750 000          | 750 000          | 750 000          | 750 000          | 750 000        | 4 165 531        |
| Trade and other payables           | 9 593 592         | 9 593 592                            | 9 593 592         | -                | -                | -                | -                | -                | -              | -                |
| Accrued liabilities                | 1 674 396         | 1 674 396                            | 1 674 396         | -                | -                | -                | -                | -                | -              | -                |
| <b>Total financial liabilities</b> | <b>29 869 483</b> | <b>31 646 828</b>                    | <b>12 644 722</b> | <b>1 667 186</b> | <b>2 845 039</b> | <b>2 810 373</b> | <b>5 297 326</b> | <b>1 466 652</b> | <b>750 000</b> | <b>4 165 531</b> |



## Notes to the consolidated financial statements

| 31 December 2019 (unaudited)       | Carrying amount   | Contractual cash flows (undiscontd.) | 0-6 months        | 6-12 months      | 1Y               | 2Y               | 3Y               | 4Y               | 5Y             | Over 5 years     |
|------------------------------------|-------------------|--------------------------------------|-------------------|------------------|------------------|------------------|------------------|------------------|----------------|------------------|
| Loans from credit institutions     | 9 664 819         | 10 169 949                           | 984 013           | 962 467          | 1 541 250        | 1 514 999        | 1 489 596        | 3 677 624        | 0              | 0                |
| Other loans                        | 8 330 231         | 9 855 531                            | 120 000           | 820 000          | 1 000 000        | 750 000          | 750 000          | 750 000          | 750 000        | 4 915 531        |
| Trade and other payables           | 14 109 879        | 14 109 879                           | 14 109 879        | -                | -                | -                | -                | -                | -              | -                |
| Accrued liabilities                | 1 615 355         | 1 615 355                            | 1 615 355         | -                | -                | -                | -                | -                | -              | -                |
| <b>Total financial liabilities</b> | <b>33 720 284</b> | <b>35 750 714</b>                    | <b>16 829 247</b> | <b>1 782 467</b> | <b>2 541 250</b> | <b>2 264 999</b> | <b>2 239 596</b> | <b>4 427 624</b> | <b>750 000</b> | <b>4 915 531</b> |

### Commodity price risk

The commodity price risks in Virši is 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 natural gas and electricity consumption in group by the reporting date remains relatively low, cruied oil price is a significant driver behind turnover and cost of products dynamics.

Cruied oil price is subject to significant fluctuations resulting from a periodic over-supply and supply tightness in various regional markets, coupled with fluctuations in demand globally and in local market. Virši results of operations in any given period are principally driven by the demand for and prices of oil and renewable products relative to the supply and cost of raw materials. These factors drive operational performance and cash flows in fuel business of Virši.

In order to balance Virši dependance on cruied oil price globally Group has several means in place – Virši owns storage facility that helps to mitigate short term volatilities; sustainable fuel alternatives are introduced to market and Virši portfolio (CNG, electricity); the ongoing development of retail stores and catering in fuel stations performed. As a result, proportion of growing operating profits in portfolio driven by cruied oil products as well as price dependence decrease.

### Capital risk management

The Group's objective when managing capital is to secure a capital structure that ensures access to capital markets at all times despite the business cycle of the industry in which Virši 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%.

### 30. Profit distribution

The Board suggests that profit for the reporting year be retained undistributed and used for further development. The Shareholder' Meeting will decide on the distribution of profit.

### 31. Subsequent events

From 2020 and subsequent to the year end, the Republic of Latvia and many countries worldwide had restrictions in place to limit the spread of the coronavirus which notably slowed the economic development in the country and the world. As it is not possible to predict how the situation will unfold there is uncertainty with regard to the economic development. The management of the Companies constantly evaluates the situation. At the date of these consolidated financial statements, the Group's financial ratios for 2021 are consistent with those planned in the budget for 2021 and the financial position is strong. The Group's management believes the Group will be able to overcome the emergency situation with the help of the following measures: financial monitoring of all units and development and coordination of a crisis plan, timely planning of purchases of resources, and daily in-depth analysis of receivables risk.

This conclusion is based on the information available as at the date of these consolidated financial statements.

## Notes to the consolidated financial statements

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Group has been reorganised in current legal structure during 2020. On January 2021 Parent company has invested logistics business in subsidiary SIA Virši logistika a bundle of assets and liabilities at fair value of EUR 327 460 at the date of investment.

In April 2021, the Group's management announced their decision to attract capital and commence listing shares on Nasdaq Riga through an IPO in the nearest future.

Other than those described in the previous paragraph, no significant subsequent events have occurred in the period from the year-end to the date of these consolidated financial statements that would require adjustments to be made to these consolidated financial statements or disclosures added within the consolidated financial statements.

Riga, 14 July 2021



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Jānis Vība  
Chairman of the Board



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Linda Prūse  
Member of the Board



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Vita Čirjevskā  
Member of the Board



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Jelena Laurinaviča  
Chief Accountant



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## Independent Auditors' Report

### To the shareholder of AS Virši-A

#### Report on the Audit of the Consolidated Financial Statements

##### *Our Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated financial statements of AS Virši-A ("the Company") and its subsidiaries (together "the Group") set out on pages 7 to 42 of the accompanying consolidated Annual Report, which comprise:

- the consolidated statement of financial position as at 31 December 2020,
- the consolidated statement of comprehensive income for the year then ended,
- the consolidated statement of changes in equity for the year then ended,
- the consolidated statement of cash flows for the year then ended, and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of AS Virši-A and its subsidiaries as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

##### *Basis for Opinion*

In accordance with the 'Law on Audit Services' of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibility for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and independence requirements included in the 'Law on Audit Services' of the Republic of Latvia that are relevant to our audit of the consolidated financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and the 'Law on Audit Services' of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide

##### *Other Matter*

2020 is the first year in which the Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Group did not prepare consolidated financial statements for the years prior to the legislation of the Republic of Latvia. The comparative information presented in the consolidated financial statements for the year ended 31 December 2020 has not been audited.

KPMG Baltics AS, a Latvian joint stock company and a member  
firm of the KPMG global organization of independent member  
firms affiliated with KPMG International Limited, a private  
English company limited by guarantee.



information presented in the consolidated financial statements for the year ended 31 December 2020 has not been audited.

#### *Reporting on Other Information*

The Group's management is responsible for the other information. The other information comprises:

- Information about the Group, as set out on page 3 of the accompanying consolidated Annual Report,
- the Management Report, as set out on pages 4 to 6 of the accompanying consolidated Annual Report,

Our opinion on the consolidated financial statements does not cover the other information included in the consolidated Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information* section of our report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the Group and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information*

In addition, in accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia

Based solely on the work required to be undertaken in the course of our audit, in our opinion, in all material respects:

- the information given in the Management Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia

#### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of



consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

#### *Auditors' Responsibility for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Baltics AS  
Licence No. 55

A handwritten signature in blue ink, appearing to read 'Rainers Vilāns', written in a cursive style.

Rainers Vilāns  
Partner pp. KPMG Baltics AS  
Latvian Sworn Auditor  
Certificate No. 200  
Riga, Latvia  
14 July 2021