AS Virši-A

(UNIFIED REGISTRATION NUMBER 40003242737)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 PREPARED IN ACCORDANCE WITH IAS 34 INTERIM FINANCIAL REPORTING AS ADOPTED BY THE EUROPEAN UNION

AND
INDEPENDENT AUDITORS' REVIEW REPORT

Riga, 2021

Contents

General information

Name of the parent company	**Virši-A**
Legal form	Joint Stock Company
Registration number and date	40003242737, 6 January 1995
Legal address	Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads, Latvia, LV-5101
Members of the Board	Jānis Vība, Chairman from 13.04.2021 (previously: Member of the Board) Linda Prūse, Member of the Board from 13.04.2021 Vita Čirjevska, Member of the Board from 13.04.2021 Jānis Riekstiņš, Chairman of the Board until 13.04.2021 Jānis Rušmanis, Member of the Board until 13.04.2021 Ilgvars Zuzulis, Member of the Board until 13.04.2021 Andris Priedītis, Member of the Board until 13.04.2021
Members of the Council	Jānis Riekstiņš, Chairman of the Council from 13.04.2021 Jānis Rušmanis, Deputy Chairman of the Council from 13.04.2021 Ilgvars Zuzulis, Member of the Council from 13.04.2021 Andris Priedītis, Member of the Council from 13.04.2021 Ivars Blumbergs, Member of the Council from 13.04.2021 Silva Skudra, Member of the Council Madara Volksone, Chairwoman of the Council until 13.04.2021 Ausma Rušmane, Deputy Chairwoman of the Council until 13.04.2021
Information on subsidiaries	Viršu nekustamie īpašumi, SIA Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads, Latvia, LV-5101 Holding: 100.00%, from 15.09.2020 VIRŠI loģistika, SIA Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads, Latvia, LV-5101 Holding: 100.00%, from 15.09.2020 VIRŠI Renergy, SIA Kalna iela 17, Aizkraukle, Aizkraukles pagasts, Aizkraukles novads, Latvia, LV-5101 Holding: 100.00%, from 20.07.2020
Chief Accountant	Jeļena Laurinaviča
Auditors	KPMG Baltics AS Vesetas iela 7 Riga, Latvia, LV-1013 Licence No. 55

Group Management Report

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 the wholesale and retail sale of oil products and retail sale of car goods and groceries through its network of own filling stations. The Group's share capital amounts to 6 677 860 EUR and consists of 47 699 shares. Nominal value per share is 140 EUR. All shares are fully paid up.

The Group's activities during the reporting period
In the first half of 2021, the Group successfully continued implementing its development strategy, which involved objectives such as the substantial expansion of the network, modernisation of filling stations and providing consistently high-quality products and services to its customers, as well as extending support to local producers by presenting them with the opportunity to place their products in stores of the Virši network. The Group continued to invest and promote the compressed natural gas (CNG) network by opening two more CNG filling locations. At the moment CNG is the best available solution to reduce harmful emissions generated by heavy duty vehicles, thus the development of the CNG network helps Latvia in achieving its goals to reduce harmful emissions in the transport segment. The Group has also defined electricity and related products as part of strategic development and launched electricity supply to customers in June 2021. During the reporting period, the network of AS Virši-A consisted of 64 filling stations, of which 6 offered CNG.

The goal of strategic investments made in the first half of 2021 is aimed at continuing to extend the station network of Virši. This includes the opening of a new fuel station near Olaine, starting the construction works of 2 additional stations in Liepāja and Riga as well as broadening the CNG network by launching CNG product in Group's fuel stations in Olaine and Brocēni. In order to find new ways to reduce harmful emissions, the Group has financed and performed a pilot project for transforming diesel engine fuel logistic truck to part diesel – part CNG hybrid. A new CNG van for technical support was acquired as well. Virši also continues to invest in fuel station internal infrastructure and design, thus providing a wider range of high-quality catering and coffee products. In order to offer clients more diverse and efficient services, significant resources are invested in IT related solutions. Total investments in Virši Group have increased by 43% or 980 343 EUR compared to the equivalent period in 2020.

Group's financial results for the reporting period are strong and showing a healthy growth pattern. Turnover increased by 20% or 16 304 192 EUR in total compared to the first half of 2020, resulting from further expansion and modernization of Virši network as well as product development in convenience stores and market dynamics in fuel. The retail market of fuel in Latvia grew by 4.5% in 2021 in terms of tonnes sold, while Virši grew by 5%. In June 2020, Virši operated 61 stations, while in 2021 – 64, and it convincingly continued to grow its loyal customer base. Convenience store sales grew by 30% or 3 495 555 EUR. Net profit amounted to 2 623 948 EUR, representing growth of 61% compared to 2020. The Group's net profit margin in the first half of 2021 was 2.7% (2020: 2.0%). (The net profit margin is calculated by dividing profit for the reporting year by net sales.) EBITDA amounted to 4 495 338 EUR (2020: 3 438 822 EUR) growing by 31%.

The strong past and current performance, as well as an ambitious future development strategy, has encouraged shareholders and management to plan the launch of an Initial Public Offering of the Group during the 2nd half of 2021. The main aim of the IPO is to raise additional capital in order to further accelerate the Group's future growth strategy. The decision and future vision was presented to the market in April 2021. One of the goals of the group during the IPO is to address our existing, loyal customers who visit Virši stations on a daily basis. In order to make the acquisition of Virši shares available to the audience of private investors, the Group plans to to determine the nominal value of shares in the amount of 0.50 EUR per share, instead of 140 EUR, maintaining the existing Group's share capital and the proportion of shares among the existing shareholders.

AS Virši-A has been a gold level member of the Extended Cooperation Programme of the State Revenue Service since 2018.

Environment protection measures
AS Virši-A and its subsidiaries take an integrated approach to the 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.
Since 2015, the Group has continued to maintain the operations and investments strategy in line with ISO 50001, and in 2021 Virši aimed to raise quality standards and implement an environmental management system in line with ISO 140001:2015; as a result, AS Virši-A was certified in September. AS Virši-A and its subsidiaries are in full compliance with all environmental protection requirements.

Employees
Recognising the role of employees in the development of Virši, the Group continues to invest finances and efforts into staff training and development, despite the challenging environment caused by the restrictions during the pandemic. Due to the pandemic, Virši school has launched an e-learning programme for employees that provides an opportunity to continue to develop the knowledge of every employee in the company. In order to help develop and sustain talent in the company, a fuel station staff Mentoring programme and training system has been implemented in 2021.

Group Management Report

All employees have health insurance coverage. As always, the Group supported the career growth of its employees by offering to apply for internal vacancies and continued strengthening and recruiting its management team.

In May 2021, Virši organised the employee event ''Viršu Forums 2021 – Cilvēks cilvēkam" to inspire, inform and maintain the engagement of all Virši employees. Participants were able to watch and communicate in a live video presentation with the management of the company.

Support to Latvia State Blood donor centre
With increasing pressure on the healthcare system in Latvia during the Covid-19 pandemic, the Group's priority for 2021 was set to support the blood donation system in Latvia. Virši has run the blood donation campaign to encourage society to donate via marketing activities, as well as supports the system through actual donations by encouraging employees and cooperation partners.

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

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

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

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

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

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 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 economic development. The management of the Group constantly evaluates the situation. At the date of these consolidated financial statements, the Group's financial results for 2021 are strong and exceed the budget. 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 the receivables risk. This conclusion is based on the information available as at the date of these consolidated financial statements.

Riga, 9 September 2021

Jānis Vība Chairman of the Board	Linda Prūse Member of the Board	Vita Čirjevska Member of the Board

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Condensed consolidated statement of comprehensive income

For the six months ended 30 June	Note	2021 EUR	2020 EUR unaudited
Net sales	2	96 836 246	80 532 054
Cost of sales	3	(85 004 307)	(70 553 126)
Gross profit		**11 831 939**	**9 978 927**
Selling expenses	4	(7 993 355)	(6 883 629)
Administrative expenses		(1 022 158)	(936 073)
Other operating income		27 676	33 092
Other operating expenses		(85 411)	(311 097)
Results from operating activities		**2 758 691**	**1 881 219**
Financial revenue		106 371	9 517
Finance expenses	14	(241 114)	(257 288)
Profit before tax		**2 623 948**	**1 633 450**
Corporate income tax for the reporting period	5	-	-
Profit after corporate income tax		**2 623 948**	**1 633 450**
Profit of the reporting period		**2 623 948**	**1 633 450**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Impairment losses on property and equipment	6	(539 561)	-
Change in Asset retirement obligation	10, 13	52 863	(59 612)
Other comprehensive revenue		**(486 698)**	**(59 612)**
Total comprehensive income for the period		**2 137 250**	**1 573 838**
Earnings per share before and after dilution	10	**55.0**	**34.2**
EBITDA per share		**94.2**	**72.1**

The accompanying notes on pages 11 to 28 are an integral part of these consolidated financial statements.

Riga, 9 September 2021

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Member of the Board

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Condensed consolidated statement of financial position

ASSETS

	Note	30.06.2021 EUR	31.12.2020 EUR
NON-CURRENT ASSETS			
Intangible assets		160 090	142 534
Property and equipment	6	52 885 660	51 603 845
Right-of-use assets		2 534 193	2 316 298
Investment in associate		59 422	57 156
Loan to associate		290 800	303 200
Derivatives	17,18	83 797	-
TOTAL NON-CURRENT ASSETS		**56 013 962**	**54 423 033**
CURRENT ASSETS			
Inventories	7	6 519 504	5 442 404
Trade receivables	8	12 676 182	8 866 654
Due from related parties		158 629	41 060
Derivatives	17,18	17 055	-
Corporate income tax receivable		-	13 982
Other receivables		507 020	145 548
Prepaid expenses		137 715	110 743
Accrued income		145 766	105 544
Cash and cash equivalents	9	6 273 293	3 676 615
TOTAL CURRENT ASSETS		**26 435 164**	**18 402 550**
TOTAL ASSETS		**82 449 126**	**72 825 583**

Condensed consolidated statement of financial position

LIABILITIES

SHAREHOLDERS' EQUITY	Note	30.06.2021 EUR	31.12.2020 EUR
Share capital	10	6 677 860	6 677 860
Reserves:			
Long term investment revaluation reserve		19 935 760	20 714 459
Other reserves		(4 206 039)	(4 206 039)
Retained earnings:			
Retained earnings brought forward from previous years		13 726 267	9 247 089
Profit of the reporting period		2 623 948	4 187 177
TOTAL EQUITY		**38 757 796**	**36 620 546**
LIABILITIES			
Non-current liabilities			
Loans from credit institutions	11	10 675 436	8 833 223
Other loans	12	6 288 074	6 624 790
Asset retirement obligation	13	737 046	788 922
Lease liabilities		1 872 369	1 607 622
TOTAL NON-CURRENT LIABILTIES		**19 572 925**	**17 854 557**
Current liabilities			
Loans from credit institutions	11	2 318 814	2 143 482
Other loans	12	1 041 666	1 000 000
Lease liabilities		505 882	529 757
Trade and other payables		14 450 780	9 593 592
Deferred income		-	4 185
Tax liabilities		4 382 414	3 405 068
Accrued liabilities		1 418 849	1 674 396
TOTAL CURRENT LIABILITIES		**24 118 405**	**18 350 480**
TOTAL LIABILITIES		**43 691 330**	**36 205 037**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**82 449 126**	**72 825 583**

The accompanying notes on pages 11 to 28 are an integral part of these consolidated financial statements.

Riga, 9 September 2021

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Jeļena Laurinaviča
Chief Accountant

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Condensed consolidated statement of cash flows

For the six months ended 30 June		**2021**	**2020**
Cash flows from operating activities	Note	**EUR**	**EUR unaudited**
Profit before tax		2 623 948	1 633 450
Adjustments for:			
Depreciation and amortisation of property, equipment and intangible assets		1 738 991	1 557 028
Result on disposal of property and equipment		1 244	239 906
Interest and similar expenses		241 114	257 288
Income from investment in associate		(2 266)	(1 953)
Net change in fair value of derivatives		(100 852)	-
Profit before adjustment for the impact of changes to current assets and current liabilities		***4 502 179***	***3 685 719***
(Increase)/Decrease of receivables		(4 355 763)	2 022 336
(Increase) / Decrease in inventories		(1 077 100)	1 345 423
Increase/(Decrease) of accounts payable to suppliers, contractors and other creditors		5 574 802	(4 191 486)
Gross cash flows from operating activities		***4 644 118***	***2 861 992***
Interest paid		(116 433)	(122 779)
Corporate income tax refunded		13 982	61 792
Net cash flows from operating activities		**4 541 667**	**2 801 005**
Cash flows from investing activities			
Purchase of property, equipment and intangible assets		(3 248 905)	(2 268 562)
Income from disposal of fixed and intangible assets		938	329 954
Loans repaid		12 400	12 400
Net cash flows generated from investing activities		**(3 235 567)**	**(1 926 208)**
Cash flows from financing activities			
Loans received		3 000 000	1 281 150
Repayment of loans and leases		(1 709 422)	(1 433 303)
Net cash flows from financing activities		**1 290 578**	**(152 153)**
Net cash flows for the reporting period			
Cash and cash equivalents at the beginning of the year		3 676 615	2 954 245
Cash and cash equivalents at the end of the period	9	**6 273 293**	**3 676 889**

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Riga,9 September 2021

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Condensed consolidated statement of changes in equity

	Note	Share capital	Long term investment revaluation reserve	Other reserves	Retained earnings	Total shareholders' equity
As at 31 December 2019 (unaudited)		**910 560**	**21 603 544**	**1 558 481**	**8 478 478**	**32 551 063**
Comprehensive income (unaudited)						
Profit of the reporting period		-	-	-	1 633 450	**1 633 450**
Other comprehensive income						
Asset retirement obligation	13	-	(59 612)	-	-	**(59 612)**
Transfer due to depreciation of accumulated revaluation gain		-	(440 712)	-	440 712	**-**
As at 30 June 2020 (unaudited)		**910 560**	**21 103 220**	**1 558 481**	**10 552 640**	**34 124 901**
As at 31 December 2020		**6 677 860**	**20 714 459**	**(4 206 039)**	**13 434 266**	**36 620 546**
Comprehensive income						
Profit of the reporting period		-	-	-	2 623 948	**2 623 948**
Other comprehensive income						
Asset retirement obligation	13	-	52 863	-	-	**52 863**
Increase/(decrease) in the long-term investment revaluation reserve	6	-	(539 561)	-	-	**(539 561)**
Transfer due to depreciation of accumulated revaluation gain		-	(292 001)	-	292 001	**-**
As at 30 June 2021		**6 677 860**	**19 935 760**	**(4 206 039)**	**16 350 215**	**38 757 796**

The accompanying notes on pages 11 to 28 are an integral part of these consolidated financial statements.

Riga, 9 September 2021

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Notes to the condensed consolidated interim financial statements

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

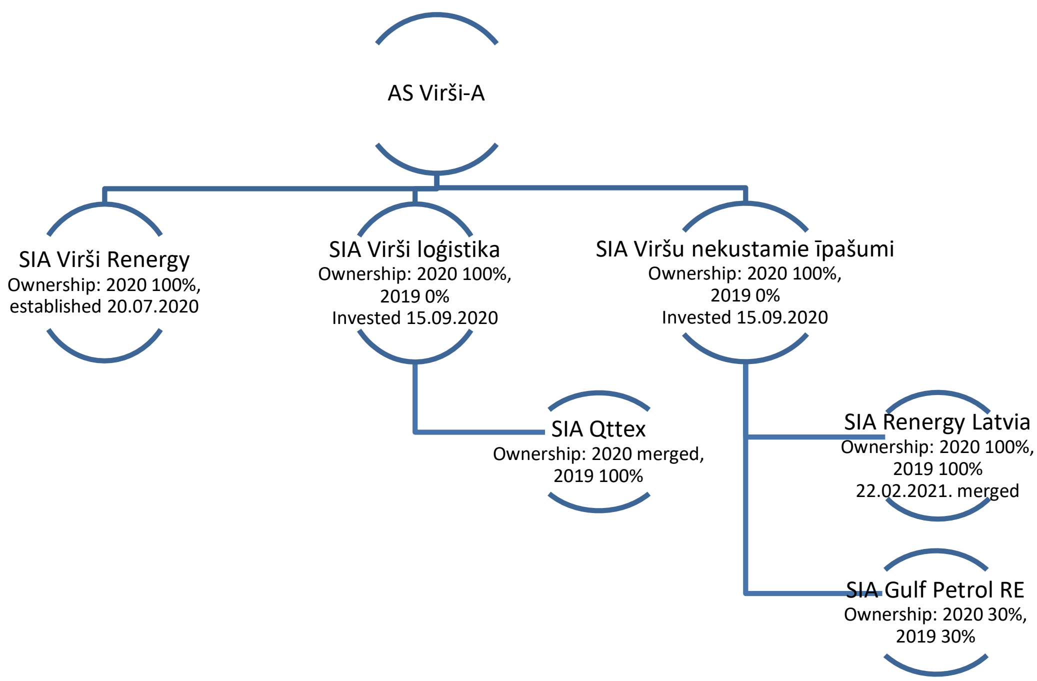
General information on the Group

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 loģisktika (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 condensed consolidated financial statements for the six-month period ended 30 June 2021 were prepared and reviewed to ensure potential investors of receive sufficient information on financial position and dynamics of Virši in 2021. Financial statements were approved by the decision made by the Board of the Group on 9 September 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 Virsu 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.

The consolidated financial statements for the year ended 31 December 2020 was 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 2020 were prepared as if the Group had been formed prior to 1 January 2019.

Summary of accounting principles used

Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2020. They do not

Notes to the consolidated financial statements

include all the information required for a complete set of financial statements prepared in accordance with IFRS as adopted by the European Union. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of changes in the Group's financial position and performance since the last annual consolidated financial statements.

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.

Significant accounting estimates and judgement in applying accounting policies

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements except for the fair value measurement of derivative financial instruments that was not relevant in the last annual financial statements.

Measurment of fair values

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 certain 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);

• 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.

Key sources of estimation uncertainty:

- *Measurement of 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 or 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

Notes to the consolidated financial statements

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 or loss statement, then the increase resulting from revaluation is recognized as income in the profit or loss statement as incurred. The long term investment revaluation reserve is decreased when the revalued asset is disposed, is no longer utilized, or the increase of value is no longer reasonable.

- *Expected Credit Loss determination*

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.

- *Asset retirement obligation determination*

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.

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 (2020: 22 years).

As at the 30 June 2021, the Group reviewed the decommissioning requirements and the assumptions used in the present value calculation and adjusted the obligation to 737 046 EUR as of 30 June 2021. The update was prepared by management and resulted in a net decreaseof 51 876 EUR from the ARO at 31 December of 788 922 EUR.

As of 30 June 2021, the estimated undiscounted ARO obligation is 782 814 EUR (31.12.2020 – 753 367 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 30 June 2021, the Company used an inflation rate of 2.00% (31.12.2020 – 2.00%) and a discount rate of 0.25% (31.12.2020: 0.19%) 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 241 026 EUR (31.12.2020– 256 000 EUR). Should long-term inflation estimate decrease to 1% from the used 2% assumption, ARO provision would decrease by 177 834 EUR (31.12.2020 – 189 460 EUR).

- *Measurement of fair value of derivatives*

Derivatives are financial instruments whose value changes depending on the interest rate, securities price, foreign exchange rate, price index or rate, credit rating or changes in a similar flexible ratio, and which is impacted by one or several financial risks characteristic of the underlying financial instrument, and transferred from the Group to other parties to the transaction.

Notes to the consolidated financial statements

The Group uses derivatives such as commodity futures and other derivatives. 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.

The Group has entered 3 risk hedging agreements in the reporting period; however hedge accounting has not been applied (refer to Note 18).

2. Net sales from other types of operations

		For the six months ended 30 June	
By type of operating activity		2021	2020 unaudited
Sale of oil products		80 752 807	67 871 367
Retail sale of other goods		14 964 174	11 468 619
Other income		1 119 265	1 192 068
	TOTAL:	**96 836 246**	**80 532 054**

		For the six months ended 30 June	
By geographic market		2021	2020 unaudited
Latvia		96 414 854	79 859 254
Other		421 392	672 800
	TOTAL:	**96 836 246**	**80 532 054**

Contract liabilities under Trade and Other payables		30.06.2021	31.12.2020
Advances received		307 549	233 224
	TOTAL:	**307 549**	**233 224**

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 in revenue when goods are delivered.

No information is provided about remaining performance obligations as at 30 June 2021 or as at 31 December 2020 that have an original expected duration of one year or less, as allowed by IFRS 15.

3. Cost of sales

	For the six months ended 30 June	
	2021	2020 unaudited
Cost of oil products and goods	84 343 112	69 625 038
Depreciation and amortization	45 809	43 142
Personnel expenses	57 622	45 436
Other costs related to property	2 202	2 353
Maintenance and repairs	18 968	14 304
Transport	15 351	5 131
Other expenses	521 243	817 722

Notes to the consolidated financial statements

TOTAL:	**85 004 307**	**70 553 126**

4. Selling expenses

	For the six months ended 30 June	
	2021	2020 unaudited
Personnel expenses	4 216 745	3 360 385
Depreciation and amortization	1 593 469	1 428 037
Other costs related to property	23 593	15 944
Maintenance and repairs of infrastructure	891 817	830 630
Marketing expenses	319 111	306 264
Transport	494 127	411 683
Other expenses	454 493	530 686
TOTAL:	**7 993 355**	**6 883 629**

5. Corporate income tax

Corporate income tax is calculated by the Group according to the laws and regulations of the Republic of Latvia and is recognized in the consolidated statement of comprehensive income when profit is ditributed. Significant Corporate income tax expenses are not planned as at and for the six months ended 30 June 2021.

Notes to the consolidated financial statements

6. 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
Historical cost							
31 December 2019 (unaudited)	**44 470 279**	**1 171 860**	**6 787 845**	**3 980 603**	**1 466 516**	**241 555**	**58 118 658**
Additions	659 276	20 384	249 794	475 390	673 235	37 400	2 115 479
Reclassification	1 642 197	23 066	247 391	134 954	(1 877 588)	(170 020)	-
Revalued portion of disposed property and equipment	(199 982)	-	-	-	-	-	(199 982)
Cost of disposed fixed assets	(392 226)	-	(140 837)	(62 836)	-	-	(595 899)
30 June 2020 (unaudited)	**46 179 544**	**1 215 310**	**7 144 193**	**4 528 111**	**262 163**	**108 935**	**59 438 256**
31 December 2020	**47 768 487**	**1 293 906**	**7 785 646**	**4 896 417**	**1 445 837**	**251 690**	**63 441 983**
Additions	177 638	16 161	394 043	710 622	1 337 129	618 229	3 253 822
Reclassification	2 044 974	12 366	403 600	65 206	(2 152 033)	(374 113)	-
Cost of disposed fixed assets	-	-	-	(2 182)	-	-	(2 182)
30 June 2021	**49 991 099**	**1 322 433**	**8 583 289**	**5 670 063**	**630 933**	**495 806**	**66 693 623**
Accumulated depreciation and impairment							
31 December 2019 (unaudited)	**4 550 478**	**258 797**	**3 268 568**	**1 994 420**	**-**	**-**	**10 072 263**
Depreciation, depreciation of the revalued part*	530 316	58 687	277 667	369 334	-	-	1 236 004
Accumulated depreciation of the revalued portion of disposed property and equipment	(14 139)	-	-	-	-	-	(14 139)
Accumulated depreciation of disposed property and equipment	(31 383)	-	(140 089)	(54 764)	-	-	(226 236)
30 June 2020 (unaudited)	**5 035 272**	**317 484**	**3 406 146**	**2 308 990**	**-**	**-**	**11 067 892**
31 December 2020	**5 549 439**	**379 163**	**3 454 809**	**2 454 727**	**-**	**-**	**11 838 138**
Depreciation, depreciation of the revalued part*	563 680	65 583	334 476	466 525	-	-	1 430 264
Impairment**	539 561	-	-	-	-	-	539 561
30 June 2021	**6 652 680**	**444 746**	**3 789 285**	**2 921 252**	**-**	**-**	**13 807 963**
Carrying amount							
31 December 2020	**42 219 048**	**914 743**	**4 330 837**	**2 441 690**	**1 445 837**	**251 690**	**51 603 845**
30 June 2021	**43 338 419**	**877 687**	**4 794 004**	**2 748 811**	**630 933**	**495 806**	**52 885 660**

* 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 and June 2021 is not materially different from the carrying amount.

The carrying amount of Land, buildings and engineering structures evaluated at fair value at 30 June 2021 would have been 30 426 125 EUR (30 June 2020: 30 815 613 EUR) if all category had been accounted using the cost method.

**On 30 June 2021 the Group recognized impairment of two properties due to the decrease in operations in two gasoline stations as a result of COVID-19 pandemic. The Group applied value in use calculation with key assumptions being that revenue will stay flat over the next five years, and the WACC rate between 14,5% and 18,5%.

As at 30 June 2021 Group has contracted capital expenditure committments in amount of 2 524 000 EUR.

Notes to the consolidated financial statements

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 when major part of assets were revalued:

Type	Fair value, EUR 2019 (unaudited)	Valuation technique	Significant unobservable inputs	Inter-relation between significant unobservable inputs and fair value measurement
Filling stations with equipment	35 705 500	Discounted cash flows	- Discount rate ranging from 13% to 19.5% - Gross revenue assumption in year one for fuel sales from 50 thousand EUR to 381 thousand EUR - Gross revenue assumption in year one for store sales from 13 thousand EUR to 256 thousand EUR - Revenue growth from year 3 or 4 1.0% - 2.0% p.a.	Market value may increase (reduce) if: - Discount rate reduces (increases); - Initial gross revenue from fuel and store sales increases (reduces); - Maintenance cost of filling stations reduces (increases); - Forecast of changes in revenue increases (reduces).
Oil storage facility / railway network	2 005 000	Discounted cash flows / capitalisation of lease revenue	- Discount rate 17.5% - Capitalisation rate 8.5% - Rent 0.14 EUR/m2 (land) to 3.0 EUR/t (fuel) - Occupancy rate 40-95% p.a. - Revenue growth from year 2 1.0% - 2.0% p.a.	Market value may increase (reduce) if: - Discount / capitalisation rate reduces (increases); - Rent increases (reduces); - Occupancy increases (reduces); - Maintenance cost of real estate properties reduces (increases); - Forecast of changes in revenue increases (reduces).
Commercial buildings / land plots	45 000	Discounted cash flows / The Sales Comparison Approach	- Discount rate 12.0% - Rent 0.80 - 2.50 EUR/m2 - Occupancy rate 65 - 90% p.a. - Revenue growth from year 3 0.5% - 1.5% p.a. - Comparable properties sales prices 35 – 72 EUR/sqm.	Market value may increase (reduce) if: - Discount rate reduces (increases); - Rent increases (reduces); - Occupancy increases (reduces); - Maintenance cost of real estate properties reduces (increases); - Forecast of changes in revenue increases (reduces).

7. Inventories

	30.06.2021	31.12.2020
Auxiliary materials	310 570	104 342
Fuel	3 992 241	3 136 472
Other goods	1 944 217	2 124 002
Prepayments for inventories	272 476	77 588
TOTAL:	**6 519 504**	**5 442 404**

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

8. Trade receivables

	30.06.2021	31.12.2020
Carrying amount of trade receivables	13 228 849	9 377 607
Impairment allowance	(552 667)	(510 953)
TOTAL:	**12 676 182**	**8 866 654**

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Overdue days under IFRS 9	ECL rate	Receivable	Impairment	ECL rate	Receivable	Impairment
		30.06.2021			**31.12.2020**	
Not past due	0.1%	11 907 403	11 907	0.1%	8 026 305	8 026
Overdue by 1-30	0.2%	547 969	1 096	0.2%	629 853	1 260
Overdue by 31-60	0.9%	148 280	1 335	0.9%	108 424	976
Overdue by 61-90	3.2%	51 892	1 661	3.3%	39 297	1 297
Overdue by 91-180	6.0%	7 028	422	6.6%	28 811	1 902
Overdue by 181-360	12.5%	34 321	4 290	14.3%	55 338	7 913
Overdue by> 360	100.0%	481 837	481 837	100.0%	370 663	370 663
Total		**13 178 730**	**502 548**		**9 258 691**	**392 037**
Individual allowance		**50 119**	**50 119**		**118 916**	**118 916**
Total doubtful debt allowance			**552 667**			**510 953**

Changes in allowances for impairment of trade receivables:	
Impairment allowance for trade receivables as at 31.12.2020	**510 953**
Additions	52 810
Decrease of allowances due to write-off of debts	(11 096)
Impairment allowance for trade receivables as at 30.06.2021	**552 667**
Impairment allowance for trade receivables as at 31.12.2019 (unaudited)	**664 726**
Decrease due to change in ECL rate base	(11 178)
Decrease of allowances due to write-off of debts	(171 901)
Impairment allowance for trade receivables as at 30.06.2020 (unaudited)	**481 647**

Group evaluates debtors provision according to ECL rate and individual debtors evaluation. Increase in allowance for 2021 results from increase of aged debtors weight in portfolio that were provisioned individually before.

9. Cash and cash equivalents

	30.06.2021	31.12.2020
Cash in bank and on hand	5 427 709	3 264 827
Money in transit	845 584	411 788
TOTAL:	**6 273 293**	**3 676 615**

10. Share capital and reserves

Share capital

Share capital of the Group in 2020 is 6 677 860 EUR (2020: 6 677 860 EUR), comprised of 47 699 shares (2020: 47 699). Nominal value per share is 140 EUR. 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 valuaters 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 (2020:nill).

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.

	For the six months ended 30 June	
	2021	2020 unaudited
Profit for the period, attributable to the owners of the Company	2 623 948	1 633 450
Weighted average number of shares	47 699	47 699
Earnings per share before and after dilution	55.01	34.24

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.

	30.06.2021	31.12.2020
Revaluation reserve from Land, buildings and engineering structures revaluation	19 977 129	20 714 459
	19 977 129	**20 714 459**

Balance at 31.12.2020	**20 714 459**
Changes of revaluation reserves	(790 193)
Impairment losses on Land, buildings and engineering structures (Note 6)	*(498 192)*
Reclassification to retained earnings (Consolidated statement of Changes in Equity)	*(292 001)*
Asset retirement obligation (Note 13)	*52 863*
Balance at 30.06.2021	**19 977 129**
Balance at 31.12.2019 (unaudited)	**21 603 544**
Changes of revaluation reserves	(440 712)
Reclassification to retained earnings (Consolidated statement of Changes in Equity)	*(440 712)*
Asset retirement obligation (Note 13)	*(59 612)*
Balance at 30.06.2020 (unaudited)	**21 103 220**

11. Loans from credit institutions

Long-term	30.06.2021	31.12.2020
Loan from a credit institution registered in the Republic of Latvia	10 675 436	8 833 223
Including:		
Long term part of loans repayable in up to 5 years	*10 675 436*	*8 833 223*
Long term part of loans repayable after 5 years until maturity	-	-

Short-term	30.06.2021	31.12.2020
Loan from a credit institution registered in the Republic of Latvia	2 318 814	2 143 482

Notes to the consolidated financial statements

TOTAL:	**12 994 250**	**10 976 705**

In March 2020, the Group signed a loan agreement of 5.0 million EUR to expand and modernise the network of filling stations, incl. that of CNG stations. The first portion of 2.0 million EUR was received in 2020 and remaining 3.0 million EUR reveived in the first quarter of 2021.

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

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.

12. Other loans

Long term:	30.06.2021	31.12.2020
Interest-free, unsecured loan from the shareholders	6 288 074	6 624 790
TOTAL long-term loans:	**6 288 074**	**6 624 790**
Short term:		
Interest-free, unsecured loan from the shareholders	1 041 666	1 000 000
TOTAL other short-term loans:	**1 041 666**	**1 000 000**
TOTAL other loans:	**7 329 740**	**7 624 790**
Nominal value total:		
Interest-free, unsecured loan from the shareholders	*8 513 498*	*8 915 531*

Shareholder loans are carried at amortsied cost using the discounted cash flow method to determine the difference between the nominal and fair value upon initial recognition that is recognised under Other reserves. Finance expenses include interest expenses on the loan. Shareholder loans term split disclosed according to budgeted cash flow and according to concluded loan agreements, and according to covenants mentioned in the loan agreement with a financial institution.

Notes to the consolidated financial statements

13. Asset retirement obligation

Balance as at 31 December 2020	**788 922**
Change in Revaluation reserve from Land, buildings and engineering structures revaluation	
Provision made during the period	26 648
Change in discount rate	(82 870)
Change in estimates	3 359
Unwinding of discounting	987
Balance as at 30 June 2021	**737 046**
Balance as at 31 December 2019 (unaudited)	**669 721**
Change in Revaluation reserve from Land, buildings and engineering structures revaluation	
Provision made during the period	-
Change in discount rate	(25 338)
Change in estimates	84 950
Unwinding of discounting	(100)
Balance as at 30 June 2020 (unaudited)	**729 233**

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

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14. Movements in financing

	Loans from credit institutions	Other loans	Lease liabilities	Total
Carrying amount 31 December 2020	**10 976 705**	**7 624 790**	**2 137 379**	**20 738 874**
Loan principal repaid	(982 455)	(402 263)	-	(1 384 718)
Lease payments	-	-	(324 704)	(324 704)
New loans from credit institutions	3 000 000	-	-	3 000 000
Cash flows from financing activities	***2 017 545***	***(402 263)***	***(324 704)***	***1 290 578***
New lease liabilities	-	-	549 095	549 095
Interest expenses	112 201	-	4 232	116 433
Financial expenses including unwiding of discount	-	107 213	16 481	123 694
Interest paid	(112 201)	-	(4 232)	(116 433)
Total changes in liabilities	2 017 545	(295 050)	240 872	1 963 367
Carrying amount 30 June 2021	**12 994 250**	**7 329 740**	**2 378 251**	**22 702 241**
Carrying amount 31 December 2019 (unaudited)	**9 664 819**	**8 330 231**	**2 274 659**	**20 269 709**
Loan principal repaid	(985 381)	(120 000)	-	(1 105 381)
Lease payments	-	-	(327 922)	(327 922)
New loans from credit institutions	1 281 150	-	-	1 281 150
Cash flows from financing activities	***295 769***	***(120 000)***	***(327 922)***	***(152 153)***
New lease liabilities	-	-	397 836	397 836
Interest expenses	117 124	-	5 655	122 779
Financial expenses including unwiding of discount	-	117 869	16 640	134 509
Interest paid	(117 124)	-	(5 655)	(122 779)
Total changes in liabilities	295 769	(2 131)	86 554	380 192
Carrying amount 30 June 2020 (unaudited)	**9 960 588**	**8 328 100**	**2 361 213**	**20 649 901**

Finance expenses:

	For the six months ended 30 June 2021	2020 unaudited
Interest expense from shareholders loan discount unwiding	107 213	117 869
Interest expenses for bank loans	112 201	117 124
Interest expenses for leases	20 713	22 295
Other financial expenses	987	-
TOTAL:	**241 114**	**257 288**

15. 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 metioned above as at reporting date.

16. Related party transactions

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

		Transactions in the six months ended		Balance outstanding	
Related party:	Description of transaction	30.06.2021	30.06.2020 unaudited	30.06.2021	31.12.2020
Associate					
Balances	Loan to the associate	-	-	290 800	303 200
Balances	Interest receivable	-	-	533	574
Balances	Right-of-use assets	-	-	574 460	627 538
Balances	Lease liabilities	-	-	(590 258)	(641 079)
Comprehensive income	Interest income	3 251	3 548	-	-
Comprehensive income	Interest expense	(5 579)	(6 485)	-	-
Companies related through shareholders					
Balances	Prepayments for services	-	-	148 597	39 381
Balances	Receivable for services			10 032	1 679
Balances	Payble for services			(107)	(24 796)
Comprehensive income	Income from agent services	21 844	8 844	-	-
Comprehensive income	Fuelling services	(2 180 882)	(884 363)	-	-
Shareholders					
Balances	Shareholder loan	-	-	(7 329 740)	(7 624 790)
Comprehensive income	Interest expenses	(107 213)	(117 869)	-	-
Members of the Board and Council					
Balances	Remuneration payable	-	-	(29 900)	(19 308)
Balances	Compulsory state social security payable	-	-	(7 053)	(4 651)
Comprehensive income	Remuneration	(310 977)	(164 229)	-	-
Comprehensive income	Compulsory state social security payments	(71 919)	(39 539)	-	-

Notes to the consolidated financial statements

17. Fair value of financial assets and liabilties

Financial assets and liabilities measured at fair value

The table below analyses the fair values of financial assets and liabilties measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised.

30 June 2021	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total fair values EUR	Total carrying amount EUR
Financial assets					
Derivatives	-	-	100 852	100 852	100 852
Financial liabilities					
Derivatives	-	-	-	-	-

31 December 2020	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total fair values EUR	Total carrying amount EUR
Financial assets					
Derivatives	-	-	-	-	-
Financial liabilities					
Derivatives	-	-	-	-	-

Financial assets and liabilities not measured at fair value

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

30 June 2021	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total fair values EUR	Total carrying amount EUR
Financial assets					
Loan to Associate	-	-	-	290 800	290 800
Trade receivables	-	-	-	12 676 182	12 676 182
Cash and cash equivalents	-	-	-	6 273 293	6 273 293
Financial liabilities					
Loans from credit institutions	-	-	12 455 772	12 455 772	12 994 250
Other loans	-	-	7 329 740	7 329 740	7 329 740
Trade and other payables	-	-	-	14 450 780	14 450 780

Other financial invetments, 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 2020	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total fair values EUR	Total carrying amount EUR
Financial assets					
Loan to Associate	-	-	-	303 200	303 200

Notes to the consolidated financial statements

Trade receivables	-	-	-	8 866 654	8 866 654
Cash and cash equivalents	-	-	-	3 676 615	3 676 615
Financial liabilities					
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

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

The table below sets out the valuation techniques used to measure Level 2 and Level 3 fair value, as well as the most significant unobservable inputs for assets and liabilities, where fair value adjustment is applied:

Type	Valuation method	Significant unobservable data
Derivatives – electricity swap agreements	Discounted cash flow, NPV	Spread in the Latvian market above Nord pool electricity market price data.
Trade receivables	Expected credit loss, IFRS 9	Expected credit loss assumptions described in note 8.
Other Loans	Discounted cash flow, NPV	Loan repayment structure assumed in line with bubgeted cash flows and bank loan covenats. Discount rate applied based on weighted average discount rate for non-banking institutions at loan issue period, reported by Bank of Latvia evaluated against the cost of funds for collateralised borrowings of the Group.

	Derivatives – electricity swap agreements
Balance as at 31 December 2020	**-**
Gain included in finance income	
Net change in fair value (unrealised)	100 852
Purchases	**-**
Balance as at 30 June 2021	**100 852**
Balance as at 31 December 2019 (unaudited)	**-**
Gain included in finance income	
Net change in fair value (unrealised)	-
Purchases	-
Balance as at 30 June 2020 (unaudited)	**-**

18. 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:

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

Market risk

Currency risk and revaluation

The functional and reporting currency of the Group is Euro (EUR), the national currency of the European Union. The objective of foreign exchange risk management in ViršI group is to limit the uncertainty created by changes in foreign exchange rates on the future value of cash flows and earnings, and in the Group's balance sheet. Generally, this is done by contracting transactions in Euro or hedging currency risks in contracted. All transactions in foreign currencies are revalued to Euro in accordance with the reference exchange rate published by the European Central Bank on the transaction date. All monetary assets and liabilities denominated in foreign currencies are translated to Euro in accordance with the reference exchange rate published by the European Central Bank on the last day of the reporting period. Differences arising on payments in currencies or disclosures of assets and liabilities using exchange rates other than those used for initial booking of transactions are recognized in the profit or loss statement at net amount.

There are no assets in foreign currencies as at the reporting date. There has been no change to policies in relation to currecy risk management during the reporting period.

Interest rate risk

The Group is exposed to a interest rate risk both in the short- and long-term. A change in interest rates may affect the cost of funds borrowed by the Group as well as the size of cash flows.

To mitigate this risk, the Group is constantly monitoring market conditions, taking measures to improve the debt structure by reaching an optimum balance between fixed and variable interest rates, controlling the need for additional financing. There has been no change to policies in relation to interest rate risk management during the reporting period.

A reasonably possible change of 100 basis points in interest rates at 30 June 2021 and 31 December 2020 would have increased (decreased) profit (loss) before taxes by the amounts for +/-137 029 EUR (2020: +/- 115 229 EUR) . This analysis assumes that all other variables remain constant.

Credit risk

Credit risk is the risk that the Group may incur financial losses if parties to the transactions fail to fulfil their liabilities under the contracts, and credit risk is primarily connected with trade receivables and investment securities.

Credit risk mainly arising from the potential failure of the counterparty to meet its contractual payment obligations, and the risk depends on the creditworthiness of the counterparty as well as the size of the exposure.

For the purposes of credit risk management, the Group's management has established a procedure that sales of goods or services against payments on delivery or completion are made based on client evaluation procedures and certain limits are set on the amount of such sales. Management has developed a credit policy which includes regular control procedures over debtors to ensure identification of problems on a timely basis.

The objective of credit policy and risk management is to 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 receivebles disclosure of the consolidated Financial statement. (refer to Note 8.)

Notes to the consolidated financial statements

Financial instruments are used by the Group and it is potentially exposed to concentrations of credit risk which consist primarily of cash equivalents, over-the-counter production contracts and trade receivables. The cash and cash equivalents are held with banks, which are generally highly rated.
There has been no change to policies in relation to credit risk management during the reporting period.

Liquidity risk

Liquidity risk is defined as financial distress or extraordinarily high financing costs arising due to a shortage of liquid funds in a situation where business conditions unexpectedly deteriorate and require financing. The objective of liquidity risk management is to maintain sufficient liquidity and to ensure that it is available fast enough to avoid uncertainty related to financial distress at all times. Group's liquidity is managed centralized and monitored on continuos 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 11.)

Certain other limits have also been set to minimize liquidity and refinancing risks. There has been no change to policies in relation to liquidity risk management during the reporting period.

30 June 2021	Carrying amount	Contractual cash flows (undiscontd.)	0-6 months	6-12 months	1Y	2Y	3Y	4Y	5Y	Over 5 years
Loans from credit institutions	12 994 250	13 524 442	1 269 732	1 259 515	2 488 379	2 447 511	6 059 305	-	-	-
Other loans	7 329 740	8 513 498	666 667	375 000	750 000	750 000	750 000	750 000	750 000	3 721 831
Trade and other payables	14 450 780	14 450 780	14 450 780	-	-	-	-	-	-	-
Accrued liabilities	1 418 849	1 418 849	1 418 849	-	-	-	-	-	-	-
Total financial liabilities	**36 193 619**	**37 907 569**	**17 806 028**	**1 634 515**	**3 238 379**	**3 197 511**	**6 809 305**	**750 000**	**750 000**	**3 721 831**

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	716 651	-	-
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	-	-	-	-	-	-	-
Total financial liabilities	**29 869 483**	**31 646 828**	**12 644 722**	**1 667 186**	**2 845 039**	**2 810 373**	**5 297 326**	**1 466 651**	**750 000**	**4 165 531**

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, crued oil price is a significant driver behind turnover and cost of products dynamics.

Crued 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 crued 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 crued oil products as well as price dependence decrease. There has been no change to policies in relation to commodity price risk management during the reporting period except as outlined below.

Notes to the consolidated financial statements

In June 2021 Virši has launched electricity business providing electricity to B2B business segment. Currently the amounts traded are insignificant, but the aim is to develop new business segment in the future. Group decreases dependence on electricity purchase price deviation in the market by hedging supplies. Derivative value as at June 30, 2021, recognised in balance sheet is 100 852 EUR. A possible change of 5 euro in the spread to Nord poll commodity price at 30 June 2021 would have increased (decreased) profit before taxes by the amountsfor +/- 876 480 EUR. This analysis assumes that all other variables remain constant.

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%. There has been no change to policies in relation to capital management during the reporting period.

19. Profit distribution

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

20. Subsequent events

On July 2021 Virši-A has purchased 2 fuel stations – DUS Jelgava and DUS Nākotne for 2 524 000 EUR .
No other significant subsequent events have occurred in the period from the period-end to the date of these condensed consolidated interim financial statements that would require adjustments to be made to these condensed consolidated interim financial statements or disclosures added within the condensed consolidated interim financial statements.

Riga, 9 September 2021

Jānis Vība Chairman of the Board	Linda Prūse Member of the Board	Vita Čirjevska Member of the Board

Jeļena Laurinaviča
Chief Accountant

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

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Independent Auditors' Review Report

To the shareholders of AS Virši-A

Review Report on the Condensed Consolidated Interim Financial Statements

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of AS Virši-A (thereinafter „Group") set out on pages 6 to 28. The condensed consolidated interim financial statements comprise of condensed consolidated statement of financial position as at 30 June 2021, the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the condensed consolidated interim financial statements.

Management's Responsibility for the Condensed Consolidated Interim Financial Statements

Management is responsible for the preparation these condensed consolidated interim financial statements in accordance with the IAS 34 'Interim Financial Reporting' as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express a conclusion on the accompanying condensed consolidated interim financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. ISRE 2400 requires us to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated interim financial statements, taken as a whole, are not prepared in all material respects in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. This Standard also requires us to comply with relevant ethical requirements.

A review of condensed consolidated interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. The auditors perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The scope of procedures performed in a review is substantially less than that performed in an audit conducted in accordance with the International Standards on Auditing, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these condensed consolidated interim financial statements.

Other Matter

The comparative information presented in the condensed consolidated interim financial statements for the six-month period ended 30 June 2020 has not been audited.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements for the six-month period ended 30 June 2021 are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

In addition, our responsibility is to assess whether the accounting information included in the Management Report, as set out on pages 4 to 5, the preparation of which is the responsibility of management, is consistent with the condensed consolidated interim financial statements. Our work with respect to the Management Report was limited to the aforementioned scope and did not include a review of any information other than drawn from the condensed consolidated interim financial statements of the Company. Nothing has come to our attention that causes us to believe that there are material inconsistencies between the Management Report and the condensed consolidated interim financial statements.

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