



AS LATVIJAS BALZAMS

(Registration number 40003031873)

UNAUDITED CONDENSED FINANCIAL STATEMENTS

for the first six months of 2021

**prepared in accordance with
International Financial Reporting Standards as adopted by the EU**

AS Latvijas balzams
Unaudited condensed financial statements
for the first six months of 2021

INFORMATION ON THE COMPANY

Name of the Company	Latvijas balzams
Legal status of the Company	Joint Stock Company
Number, place and date of registration	Companies register No. 40003031873 Riga, 2 October 1991 Re-registered on 20 October 1998 Commercial Register Riga, 19 June 2014
Address	Aleksandra Caka Street 160 Riga, LV-1012 Latvia
Main business activities	Production of alcoholic beverages NACE2 11.01
Major shareholder	Amber Beverage Group Holding S.à r.l. (89.99%)
Names and positions of the Council Members	Rolands Gulbis – Chairman of the Council Valizhan Abidov – Vice Chairman of the Council Petr Aven – Member of the Council Velga Celmiņa – Member of the Council Jānis Buks – Member of the Council
Names and positions of the Board Members	Intars Geidāns – Chairman of the Board Guntars Betlers – Member of the Board

REPORT OF THE MANAGEMENT

Type of operations

AS Latvijas balzams (hereinafter also - the Company) is a leading producer of alcoholic beverages in the Baltic states. The Company was established in 1900 as Riga's 1st state alcohol warehouse and has been operating under the current name since 1970. Amber Beverage Group Holding S.à r.l., which owns 89.99% of the Company's share capital, has been the major shareholder of the Company.

Nowadays AS Latvijas balzams is operating two alcohol production facilities in Riga: a factory for the production of strong alcoholic beverages and a factory for the production of sparkling wines and light alcoholic beverages. These factories produce most types of alcoholic beverages, such as sparkling wines, fortified wines, ciders, RTDs (ready-to-drink beverages), vodka, liqueurs, brandy, strong alcoholic beverages, gin, etc. The recipes for some of AS Latvijas balzams products date back hundreds of years; for example, the formula of Riga Black Balsam® was officially written down in 1752. The mission of AS Latvijas balzams is "Excellence in everything we do".

Overall AS Latvijas balzams produces more than 100 different brands. Products produced by the Company are exported to more than 180 export markets mediated by Amber Beverage Group and SPI Group and via AS Latvijas balzams direct export route.

Key suppliers of raw materials and consumables for AS Latvijas balzams represent Latvia, Russia, Lithuania, Estonia, Poland, Germany and Slovakia. Key resources are water and alcoholic raw materials. Water is derived from artesian wells located in territories of the Company. Alcohol for the production of most products is supplied by Amber Beverage Group company Tambovskoe spirtovoe predpriyatie Talvis AO to AS Latvijas balzams, which is one of the largest and one of the best in terms of quality producers of high-quality alcohol in the Russian Federation.

Logistics services represent a small, but still significant part of the Company's business: this competence has been increasingly developing over the last years. For the most part, services are rendered to related companies, but the volume of services, such as transit assurance services, bonded warehouse services, value-added services, picking and other logistic services provided to other enterprises of the alcohol industry are growing. The actions taken allow for more efficient use of available resources.

The Company as a socially responsible and sustainable enterprise has developed and complies with basic principles of corporate social responsibility. They have been harmonized with the United Nations Sustainable Development Goals for 2030, guidelines and Nasdaq Riga Cooperate governance principles and are available in the section Corporate Social Responsibility on the Company's website.

For compliance with these guidelines, the Company has drafted and adheres to the following procedures: the Corporate Social Responsibility Policy, the Company Procurement Procedure, the Collective Bargaining Agreement, the Quality Management Handbook, the Ethical Marketing Communications Code, the Anti-Corruption Policy, the Data Protection Policy, the Risk Management Policy, the Remote Work Policy and other internal documents. These documents, policies and procedures contained therein are reviewed regularly in accordance with the Quality Management System. The results of reviews and planned corrective measures are considered at the Company's management meetings

Performance of the Company during the reporting period

Financial performance

Unaudited net revenue of the Company for the first six months of 2021 reached EUR 31.6 million euros, an increase by 4,7% against the respective period in 2020. The increase in turnover is related to the improvement of the economic situation and as the result of facilitating the restrictions imposed by national governments on the Covid-19 pandemic situation.

The net profit for the reporting period is EUR 3.1 million, which is higher by 25.1% than in the respective period in the year 2020 and which has been positively affected by an increase of order volumes, by the implementing of the Company's process efficiency measures and the cost reduction activities as well.

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REPORT OF THE MANAGEMENT (continued)

The operating profit for the first six months of 2021 amounts to EUR 2.4 million, which is higher than as in the respective period on the year 2020 (1.5 million euros). The operating margin for the reporting period is 7.7% (2020: 4.9 %).

The Company's alternative performance indicators for past reporting periods are disclosed below.

The Company's return on equity (ROE) and return on assets (ROA) at the reporting date and in the previous two comparative periods:

	30.06.2021	30.06.2020	30.06.2019
ROA*	1.8%	1.6%	2.2%
ROE**	2.3%	2.0%	2.9%

* ROA = Net profit / average asset value x 100%

** ROE = Net profit / average total equity x 100%

The Company's EBIT* and EBITDA** indicators for the reporting period and in the previous two comparative periods:

	01.01.2021- 30.06.2021	01.01.2020- 30.06.2020	01.01.2019- 30.06.2019
	EUR 000	EUR 000	EUR 000
EBITDA*	3 674	2 782	3 540
EBIT **	2 446	1 493	2 227

* EBIT - earnings before interest and corporate income tax

** EBITDA - earnings before interest and corporate income tax, depreciation and amortization

The Company's management uses the previously reported alternative performance indicators in assessing the Company's performance for a particular financial period and in making decisions.

AS Latvijas balzams is one of the largest local taxpayers. During the reporting period, the Company paid taxes of EUR 31.9 million to the state budget, including excise tax amounting to EUR 25.4 million.

Non-financial performance and activities for the reporting year

Apart from the financial indicators referred to in these financial statements, the Company is using the following comparative indicators for the purposes of operational analysis: RFT (*right first time*) and OTIF (*on time in full*) & quality. RFT shows the share of products manufactured right on the first time. During the first half of year of 2021, RFT reached 97.8 %, which is small decrease against the respective period on 2020 (99.4 %). The OTIF result for reporting period is 98% which is improvement in comparison to the indicator for year 2020 – 95.2%.

In the first half of 2021, semi-automatic depalletization equipment was installed on the Riga Black Balsam® beverage line, and several new products were produced in the RTD (ready-to-drink) and Hard Seltzer (an alcoholic cocktail characterized by low calorie, carbohydrate and sugar content) categories.

REPORT OF THE MANAGEMENT (continued)

The Covid-19 pandemic has led to major changes in the daily operations of Latvijas balzams:

- orders from European countries that are most hit by the spread of the virus and have the strictest restrictions introduced, such as Spain, Italy, the UK, etc., still have plunged;
- a large number of customers have frozen or deferred their orders;
- customers are delaying their payments or requesting extensions of payment deadlines.

With a view to minimizing the impact of the pandemic, the management team of the Company continues to evaluate possibilities to curtail costs actively, projects in progress have been reviewed and decisions have been taken on their cancellation or suspension. Likewise, the management team revised the terms of cooperation with suppliers and adapted the supply chain to the new situation, part of the Company's employees was on furlough during the reporting period as well.

Risk assessment and management

As regards the Company's products and risk management process, the following factors to which greater consideration is given should be mentioned on the basis of an assessment of external and internal factors that are likely to affect the Company's operations:

- The timely identification and compliance with statutory requirements by taking into account timely information and education of staff
- The ensuring of production continuity by timely planning production capacity and load
- The creation of adequate jobs by investing in the development of production, services and human resources by means of training

In the course of business, the Company strictly complies with the legislation of the Republic of Latvia. Considering the industry, the Company is devoting a great deal of attention to the assessment of transactions and their conformity with laws.

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REPORT OF THE MANAGEMENT (continued)

Stock and fund market

In the first half of 2021, the Company's share price fluctuated from EUR 8.80 to EUR 9.75 per share.



Financial risk management

In the ordinary course of business, AS Latvijas balzams is exposed to a variety of financial risks, including credit risk, liquidity risk and interest rate risk. The Company's management handles financial risks on an ongoing basis in order to minimize their potential adverse effects on the financial performance of the Company.

The Company's borrowings have variable interest rates. The Company's management is considering the use of hedging instruments in order to minimize the effect of variable interest rates.

Financial assets which potentially expose the Company to a certain degree of credit risk concentration are primarily trade receivables, receivables from related companies and loans. The Company has introduced and pursues a credit policy whereby goods are sold on credit only to customers having sound credit histories. The Company also complies with sanctions regimes based on the information published on the website of the Ministry of Foreign Affairs of the Republic of Latvia for international transactions as well as internal procedures.

The Company pursues a prudent liquidity risk management policy, according to which adequate credit resources are ensured to settle liabilities when they fall due. The Company's management handles liquidity and cash flow risks by maintaining adequate cash reserves and securing sufficient financing by means of loans, credit lines, finance leases, etc., by monitoring forecasted and actual cash flows and by matching the maturities of financial assets and liabilities on an ongoing basis.

At 30 June 2021, the Company's current assets exceeded its current liabilities by 82.9 million euros (on 30.06.2020 by 74.7 million euros). The Company has a strong ability to meet its current liabilities as they fall due. The Company's liquidity ratio (current ratio) and short-term liquidity ratio (quick ratio) for last three years are as follows:

	2021	2020	2019
Current ratio*	3.45	3.44	3.45
Quick ratio**	2.68	2.60	2.77

* *Current ratio* – proportion of current assets to current liabilities

** *Quick ratio* – total of trade receivables, receivables from related parties and cash and cash equivalents to current liabilities

REPORT OF THE MANAGEMENT (continued)

Events after the reporting date

In July 2021 the guarantee issued by the Company to AS Luminor Bank Latvian branch to secure the liabilities arising from S.P.I Spirits (Cyprus) Ltd overdraft agreement from July 2007, was terminated.

In July 2021 the Company received a government grant in the amount of EUR 100 thousand as compensation for a decrease in current assets.

In August 2021 the transfer of the title to the investment property located in Daugavgrivas 7, Riga, which Company has sold, to a related party SPI RE Holdings S.a r.l. was registered.

Since the last day of signing of these interim financial statements, there have been no other subsequent events that would have a significant effect on the financial position of the Company as of 30 June 2021.

Future prospects of Company

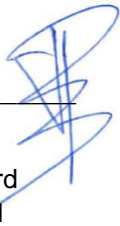
The Company will continue improving the efficiency of production, with a focus on purchase, planning and infrastructure improvements to support its goal: to deliver quality products with a competitive cost advantage.

During the year 2021, the following projects will be finalized:

- the installation of semi-automated depalletizing equipment on sparkling drinks production line;
- replacement of automatic packaging equipment for two production lines;
- the launch of the production of new canned alcoholic drinks;
- renewal of warehouse technical equipment;
- Investments in infrastructure objects.

Taking into account the impact of the Covid-19 pandemic on order volumes, these are expected to be lower also in upcoming periods. The Company's operations will continue to be promptly adapted to the market situation in order to minimize the impact of Covid-19.

Intars Geidāns
Chairman of the Board
Riga, 31 August 2021



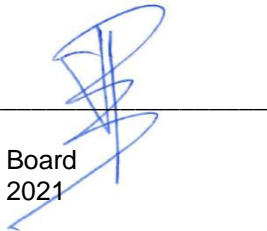
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STATEMENT OF THE MANagements' RESPONSIBILITY

The management of the Company declares that in accordance with the information at its disposal, the condensed financial statements presented were prepared under laws and regulations in force and represent truthful and clear information on the company's assets, equity, liabilities, financial situation and profits or losses.

The Management Report contains truthful information.

Intars Geidāns
Chairman of the Board
Riga, 31 August 2021



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INCOME STATEMENT

	Notes	01.01.2021- 30.06.2021 EUR	01.01.2020- 30.06.2020 EUR
Revenue	2	31 576 454	30 170 607
Cost of sales	3	(24 693 435)	(24 337 225)
Gross profit		6 883 019	5 833 382
Distribution expenses	4	(3 017 482)	(2 711 715)
Administrative expenses	5	(1 940 911)	(2 258 651)
Other operating income		791 253	869 040
Other operating expenses		(269 992)	(238 810)
Finance income		637 920	990 626
Finance expenses		(22 879)	(37 631)
Profit before tax		3 060 928	2 446 241
Net profit		3 060 928	2 446 241

STATEMENT OF COMPREHENSIVE INCOME

	01.01.2021- 30.06.2021 EUR	01.01.2020- 30.06.2020 EUR
Net profit	3 060 928	2 446 241
Total comprehensive income for the period	3 060 928	2 446 241

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STATEMENT OF FINANCIAL POSITION

	30.06.2021	31.12.2020
	EUR	EUR
ASSETS		
Non-current assets		
Intangible assets	167 174	87 191
Property, plant and equipment	12 908 243	12 559 124
Right-of-use assets	2 281 273	2 620 852
Investment property	1 660 744	1 712 785
Loans to group companies	37 778 791	37 778 791
Other non current assets	481 345	281 745
Total non-current assets:	55 277 570	55 040 488
Current assets		
Inventories	24 967 122	25 459 313
Trade receivables	682 113	976 628
Receivables from group companies	45 579 550	52 870 659
Loans to group companies within the Group account	44 249 949	34 645 647
Other current assets	1 197 360	710 579
Cash and cash equivalents	132 167	279 563
Total current assets:	116 808 261	114 942 389
<u>Total assets</u>	<u>172 085 831</u>	<u>169 982 877</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	10 495 660	10 495 660
Share premium	87 887	87 887
Reserves	2 318 823	2 318 823
Retained earnings	123 653 161	120 592 233
Total equity:	136 555 531	133 494 603
Liabilities		
Non-current liabilities		
Borrowings	1 662 635	1 662 635
Total non-current liabilities:	1 662 635	1 662 635
Current liabilities		
Borrowings	572 603	1 246 452
Trade payables	4 908 834	5 478 413
Payables to group companies	2 087 340	1 482 774
Taxes payable	24 335 659	24 746 837
Other liabilities	1 963 229	1 871 163
Total current liabilities:	33 867 665	34 825 639
Total liabilities:	35 530 300	36 488 274
<u>Total equity and liabilities</u>	<u>172 085 831</u>	<u>169 982 877</u>

Intars Geidāns
Chairman of the Board
Riga, 31 August 2021

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STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
31.12.2019.	10 495 660	87 887	2 318 823	111 267 928	124 170 298
Net profit	-	-	-	2 446 241	2 446 241
Total comprehensive income	-	-	-	2 446 241	2 446 241
30.06.2020.	10 495 660	87 887	2 318 823	113 714 169	126 616 539
31.12.2020.	10 495 660	87 887	2 318 823	120 592 233	133 494 603
Net profit	-	-	-	3 060 928	3 060 928
Total comprehensive income	-	-	-	3 060 928	3 060 928
30.06.2021.	10 495 660	87 887	2 318 823	123 653 161	136 555 531

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CASH FLOW STATEMENT

	01.01.2021- 30.06.2021	01.01.2020- 30.06.2020
	EUR	EUR
Cash flow from operating activities		
Profit for the period before taxation	3 060 928	2 446 241
<u>Adjustments for:</u>		
Depreciation and amortisation	1 204 305	1 289 137
Net loss / (profit) on sales and disposal of property, plant and equipment and intangibles	5 781	(7 064)
Accruals	477 645	(120 410)
Interest income	(637 920)	(990 626)
Interest expense	22 879	37 631
<u>Changes in working capital:</u>		
Decrease / (increase) in inventories	14 546	(5 406 815)
Decrease in trade and other receivables	6 900 173	9 145 190
(Decrease) / increase in trade and other payables	(283 900)	1 672 578
Cash generated from operations	10 764 437	8 065 862
Interest paid	(22 879)	(33 177)
Net cash generated from operating activities	10 741 558	8 032 685
 Cash flow from investing activities		
Acquisition of property, plant and equipment and intangible assets	(1 256 223)	(1 218 549)
Proceeds from sales of property, plant and equipment	7 725	7 064
Received incomes from borrowings		460 858
Changes in credit lines (net)	(8 966 382)	(2 636 732)
Net cash flow (used in) / generated from investing activities	(10 214 880)	(3 387 359)
 Cash flow from financing activities		
Borrowings repaid	(155 352)	(102 485)
Lease payments	(518 722)	(363 836)
Net cash flow used in financing activities	(674 074)	(466 321)
 Net increase in cash and cash equivalents	(147 396)	4 179 005
 Cash and cash equivalents at the beginning of the period	279 563	833 329
 Cash and cash equivalents at the end of the period	132 167	5 012 334

NOTES

(1) GENERAL INFORMATION

AS Latvijas balzams (the Company) is a joint-stock company, which is incorporated and has its registered office in Latvia. The Company was founded in 1900 but acquired its current name in 1970. The registered address of the Company is at 160 Aleksandra Caka Street, Riga, LV-1012, Republic of Latvia. Shares of AS Latvijas balzams are listed on the Baltic Secondary List of the Nasdaq Riga AS.

The Company is the largest producer of alcohol beverages in the Baltic States. AS Latvijas balzams produces more than 100 different alcohol beverages. The major shareholder of the Company is Amber Beverage Group Holding S.à r.l. (a company incorporated in Luxembourg).

(2) ACCOUNTING POLICIES

Basis for preparation

The interim condensed financial statements for the first three months of 2021 which ends on 30 June 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements of the year 2020.

The interim financial statements are presented in euro (EUR), the monetary unit of the Republic of Latvia.

Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The Company intends to adopt the above standards and interpretations and to evaluate their effects on the effective date.

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(3) REVENUE

a) Operation and reportable segment

The core activity of the Company is production of alcoholic beverages. AS Latvijas balzams produces over 100 different brands of beverages. Since the Company's core activity is mainly the production of alcoholic beverages, the Company has only one operation and reportable segment.

b) Revenue by type

	01.01.2021- 30.06.2021 EUR	01.01.2020- 30.06.2020 EUR
Production of alcoholic beverages	29 339 968	27 995 144
Sales of other goods and materials	225 619	233 667
Other services	2 010 867	1 941 796
	<u>31 576 454</u>	<u>30 170 607</u>

c) Geographical segmentation

	01.01.2021- 30.06.2021 EUR	01.01.2020- 30.06.2020 EUR
Cyprus	17 825 858	16 949 637
Latvia	10 597 787	10 783 149
Lithuania	1 887 695	1 720 118
Estonia	308 071	272 804
Ukraine	145 592	0
Romania	153 825	86 159
Turkey	109 702	0
Other	547 924	358 740
	<u>31 576 454</u>	<u>30 170 607</u>

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(4) COST OF SALES

	01.01.2021- 30.06.2021 EUR	01.01.2020- 30.06.2020 EUR
Raw materials and consumables	19 007 000	18 619 677
Salary expense	2 631 470	2 694 441
The state compulsory social insurance contributions	615 120	645 411
Depreciation of non-current assets	618 309	639 660
Energy resources	369 730	391 924
Repair and maintenance expenses	313 780	320 528
Management of packaging	264 485	236 176
Insurance payments	14 657	20 063
Laboratory expenses	14 320	13 895
Accrued expenses on unused annual leave	85 074	34 220
Other costs	759 490	721 230
	<u>24 693 435</u>	<u>24 337 225</u>

(5) DISTRIBUTION EXPENSES

	01.01.2021- 30.06.2021 EUR	01.01.2020- 30.06.2020 EUR
Salary expenses	880 615	829 202
Advertising and sales promotion expenses	679 866	524 055
Depreciation of non-current assets	475 094	445 886
Transportation expenses	301 580	271 609
Warehouse maintenance expenses	208 891	205 747
The state compulsory social insurance contributions	207 123	198 870
Other expenses	264 313	236 346
	<u>3 017 482</u>	<u>2 711 715</u>

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(6) ADMINISTRATIVE EXPENSES

	01.01.2021- 30.06.2021	01.01.2020- 30.06.2020
	EUR	EUR
Management services and expenses	962 051	987 820
Salary expenses	328 018	388 131
Depreciation of non-current assets	110 902	203 591
Computer maintenance	106 117	115 068
Financial support, sponsorship	3 204	110 373
The state compulsory social insurance contributions	74 957	91 845
Real estate tax	80 014	80 237
Professional service costs	37 678	52 289
Transport costs	13 695	19 151
Office expenses	3 731	6 648
Communication and postal expenses	6 876	7 229
Representation expenses	7 034	6 762
Bank commissions	10 082	4 948
Other expenses	196 552	184 559
	<u>1 940 911</u>	<u>2 258 651</u>

(7) SUBSEQUENT EVENTS

In July 2021 the guarantee issued by the Company to AS Luminor Bank Latvian branch to secure the liabilities arising from S.P.I Spirits (Cyprus) Ltd overdraft agreement from July 2007, was terminated.

In July 2021 the Company received the government grant in amount of EUR 100 thousand as compensation for decrease of current assets.

In August 2021 the transfer of the title to the investment property located in Daugavgrivas 7, Riga, which Company has sold to a related party SPI RE Holdings S.a r.l. was registered.

Since the date of signing of these condensed financial statements, there have been no other subsequent events that would have a significant effect on the financial position of the Company as of 30 June 2021.