



AS LATVIJAS BALZAMS

(Registration number 40003031873)

UNAUDITED CONDENSED FINANCIAL STATEMENTS

for the first nine 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 nine 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 Velga Celmiņa – Member of the Council Boriss Nešatajevs - Member of the Council (from 30.09.2021) Guntars Reidzāns - Member of the Council (from 30.09.2021) Jānis Buks – Member of the Council (until 30.09.2021) Petr Aven – Member of the Council (until 30.09.2021)
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 Amber 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 nine months of 2021 reached EUR 53.0 million euros, an increase by 12.1% 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 6.3 million, which is higher by 39.3% than in the respective period in the year 2020 and which has been positively affected by an increase of order volumes, by the implementation of the Company's process efficiency measures and the cost reduction activities as well.

REPORT OF THE MANAGEMENT (continued)

The operating profit for the first nine months of 2021 amounts to EUR 5.4 million, which is higher than as in the respective period on the year 2020 (3.1 million euros). The operating margin for the reporting period is 10.1% (2020: 6.6 %).

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:

	30.09.2021	30.09.2020	30.09.2019
ROA*	3.7%	2.9%	3.8%
ROE**	4.7%	3.6%	4.9%

* 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- 30.09.2021 EUR 000	01.01.2020- 30.09.2020 EUR 000	01.01.2019- 30.09.2019 EUR 000
EBITDA*	7 192	5 012	6 179
EBIT **	5 377	3 104	4 175

* 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 49.8 million to the state budget, including excise tax amounting to EUR 39.3 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 97.3 %, which is small decrease against the respective period on 2020 (99.3 %). The OTIF result for reporting period is 97.1% which is improvement in comparison to the indicator for year 2020 – 94.3%.

In the first nine months of 2021, semi-automatic depalletization equipment was installed on the Riga Black Balsam® and sparkling beverage lines, the warehouse forklift fleet replacement, the automatic packing equipment was replaced for two lines 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, while showing some improvement;
- 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 nine months of 2021, the Company's share price fluctuated from EUR 8.80 to EUR 11.325 per share.



According to the decision of the Company's Shareholders' meeting held on 30 September 2021, the Company's profit earned up to 31 December 2017 in the amount of EUR 3,448,574 or 0.46 cents per share was distributed as dividends.

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.

On 30 September 2021, the Company's current assets exceeded its current liabilities by 84.5 million euros (on 30.09.2020 by 77.1 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 the last three years are as follows:

	2021	2020	2019
Current ratio*	2.96	3.54	3.45
Quick ratio**	2.28	2.58	2.77

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

** *Quick ratio* – a 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 100 thousand euros 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.

On October 18, 2021, the Company made payments to its shareholders in the amount of EUR 3,448,574 in accordance with the decision of the Company's Shareholders' meeting.

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 September 2021.

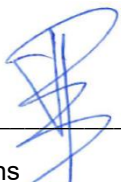
Future prospects of Company

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.

Investments in infrastructure facilities will be continued in 2021.

In the second half of 2021, a sharp rise in the prices of raw materials and resources was observed. According to forecasts, the prices of practically all packaging materials, raw materials and resources will increase, which is likely to result in an increase in sales prices of products in 2022.

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, 30 November 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, 30 November 2021

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INCOME STATEMENT

	Notes	01.01.2021- 30.09.2021 EUR	01.01.2020- 30.09.2020 EUR
Revenue	2	53 000 173	47 282 405
Cost of sales	3	(40 976 475)	(37 589 060)
Gross profit		12 023 698	9 693 345
Distribution expenses	4	(4 876 300)	(4 204 550)
Administrative expenses	5	(3 015 427)	(3 246 715)
Other operating income		1 719 738	1 213 907
Other operating expenses		(474 238)	(351 625)
Finance income		927 557	1 449 288
Finance expenses		(34 970)	(51 372)
Profit before tax		6 270 058	4 502 278
Net profit		6 270 058	4 502 278

STATEMENT OF COMPREHENSIVE INCOME

	01.01.2021- 30.09.2021 EUR	01.01.2020- 30.09.2020 EUR
Net profit	6 270 058	4 502 278
Total comprehensive income for the period	6 270 058	4 502 278

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STATEMENT OF FINANCIAL POSITION

	30.09.2021	31.12.2020
	EUR	EUR
<u>ASSETS</u>		
Non-current assets		
Intangible assets	230 904	87 191
Property, plant and equipment	13 510 619	12 559 124
Right-of-use assets	2 089 166	2 620 852
Investment property	-	1 712 785
Loans to group companies	37 778 791	37 778 791
Other non current assets	325 088	281 745
Total non-current assets:	53 934 568	55 040 488
Current assets		
Inventories	27 599 934	25 459 313
Trade receivables	767 084	976 628
Receivables from group companies	54 979 749	52 870 659
Loans to group companies within the Group account	42 406 826	34 645 647
Other current assets	1 662 720	710 579
Cash and cash equivalents	170 554	279 563
Total current assets:	127 586 867	114 942 389
<u>Total assets</u>	<u>181 521 435</u>	<u>169 982 877</u>
<u>EQUITY AND LIABILITIES</u>		
Equity		
Share capital	10 495 660	10 495 660
Share premium	87 887	87 887
Reserves	2 318 823	2 318 823
Retained earnings	123 413 717	120 592 233
Total equity:	136 316 087	133 494 603
Liabilities		
Non-current liabilities		
Borrowings	2 071 484	1 662 635
Total non-current liabilities:	2 071 484	1 662 635
Current liabilities		
Borrowings	324 212	1 246 452
Trade payables	7 085 923	5 478 413
Payables to group companies	2 749 164	1 482 774
Taxes payable	27 336 753	24 746 837
Dividends payable	3 448 574	-
Other liabilities	2 189 238	1 871 163
Total current liabilities:	43 133 864	34 825 639
Total liabilities:	45 205 348	36 488 274
<u>Total equity and liabilities</u>	<u>181 521 435</u>	<u>169 982 877</u>

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Chairman of the Board
Riga, 30 November 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	-	-	-	4 502 278	4 502 278
Total comprehensive income	-	-	-	4 502 278	4 502 278
30.09.2020.	10 495 660	87 887	2 318 823	115 770 206	128 672 576
31.12.2020.	10 495 660	87 887	2 318 823	120 592 233	133 494 603
Dividends	-	-	-	(3 448 574)	(3 448 574)
Net profit	-	-	-	6 270 058	6 270 058
Total comprehensive income	-	-	-	2 821 484	2 821 484
30.09.2021.	10 495 660	87 887	2 318 823	123 413 717	136 316 087

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CASH FLOW STATEMENT

	01.01.2021- 30.09.2021 EUR	01.01.2020- 30.09.2020 EUR
Cash flow from operating activities		
Profit for the period before taxation	6 270 058	4 502 278
<u>Adjustments for:</u>		
Depreciation and amortisation	1 814 186	1 907 241
Net (profit) on sales and disposal of property, plant and equipment and intangibles	(503 090)	(669)
Accruals	(338 645)	-
Interest income	(927 557)	(1 449 288)
Interest expense	34 970	48 083
<u>Changes in working capital:</u>		
(Increase) in inventories	(1 801 976)	(8 853 317)
(Increase) / decrease in trade and other receivables	(721 278)	1 965 569
Increase in trade and other payables	5 782 183	1 602 308
Cash generated from operations	9 608 851	(277 795)
Interest paid	(34 970)	(43 519)
Net cash generated from operating activities	9 573 881	(321 314)
Cash flow from investing activities		
Acquisition of property, plant and equipment and intangible assets	(1 732 571)	(1 584 224)
Proceeds from sales of property, plant and equipment	33 652	7 064
Received incomes from borrowings		494 891
Changes in credit lines (net)	(6 833 622)	2 591 987
Net cash flow (used in) / generated from investing activities	(8 532 541)	1 509 718
Cash flow from financing activities		
Borrowings repaid	(233 028)	(67 319)
Lease payments	(917 321)	(621 644)
Net cash flow used in financing activities	(1 150 349)	(688 963)
Net increase in cash and cash equivalents	(109 009)	499 441
Cash and cash equivalents at the beginning of the period	279 563	833 329
Cash and cash equivalents at the end of the period	170 554	1 332 770

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 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 alcoholic beverages in the Baltic States. AS Latvijas balzams produces more than 100 different alcoholic beverages. The major shareholder of the Company which owns 89.99% of the Company's share capital as of September 30, 2021, 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 nine months of 2021 which ends on 30 September 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 the 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- 30.09.2021 EUR	01.01.2020- 30.09.2020 EUR
Production of alcoholic beverages	49 641 607	43 624 952
Sales of other goods and materials	230 744	448 595
Other services	3 127 822	3 208 857
	53 000 173	47 282 404

c) Geographical segmentation

	01.01.2021- 30.09.2021 EUR	01.01.2020- 30.09.2020 EUR
Cyprus	30 744 837	26 352 428
Latvia	17 360 693	16 823 068
Lithuania	2 722 508	2 627 355
Estonia	530 059	451 021
Russia	569 845	136 879
Ukraine	191 142	166 666
Romania	224 658	154 092
Turkey	148 494	170 382
Other	507 936	400 513
	53 000 173	47 282 404

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(4) COST OF SALES

	01.01.2021- 30.09.2021	01.01.2020- 30.09.2020
	EUR	EUR
Raw materials and consumables	32 487 359	28 967 278
Salary expense	4 169 509	4 068 128
The state compulsory social insurance contributions	975 651	974 199
Depreciation of non-current assets	921 000	954 358
Energy resources	590 546	556 987
Repair and maintenance expenses	482 278	476 458
Management of packaging	435 759	345 601
Insurance payments	21 221	28 821
Laboratory expenses	18 136	17 529
Accrued expenses on unused annual leave	40 064	(82 269)
Other costs	834 952	1 281 970
	<u>40 976 475</u>	<u>37 589 060</u>

(5) DISTRIBUTION EXPENSES

	01.01.2021- 30.09.2021	01.01.2020- 30.09.2020
	EUR	EUR
Salary expenses	1 403 278	1 304 238
Advertising and sales promotion expenses	1 246 857	858 899
Depreciation of non-current assets	738 650	693 035
Transportation expenses	480 445	427 179
Warehouse maintenance expenses	309 559	291 922
The state compulsory social insurance contributions	330 134	313 093
Other expenses	367 377	316 184
	<u>4 876 300</u>	<u>4 204 550</u>

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(6) ADMINISTRATIVE EXPENSES

	01.01.2021- 30.09.2021 EUR	01.01.2020- 30.09.2020 EUR
Management services and expenses	1 443 077	1 481 270
Salary expenses	497 978	545 560
Depreciation of non-current assets	154 537	259 848
Computer maintenance	158 017	175 768
Financial support, sponsorship	103 954	110 642
The state compulsory social insurance contributions	113 996	128 720
Real estate tax	120 685	120 796
Professional service costs	55 480	87 639
Transport costs	20 410	26 013
Office expenses	6 601	9 413
Communication and postal expenses	9 988	11 000
Representation expenses	11 542	9 598
Bank commissions	12 904	9 108
Other expenses	306 258	271 340
	<u>3 015 427</u>	<u>3 246 715</u>

(7) SUBSEQUENT EVENTS

On 18 October 2021, the Company made payments to its shareholders in the amount of EUR 3,448,574 in accordance with the decision of the Company's Shareholders' meeting.

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 September 2021.