



AS LATVIJAS BALZAMS

(Registration number 40003031873)

UNAUDITED CONDENSED FINANCIAL STATEMENTS

for the year 2021

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

AS Latvijas balzams
Unaudited condensed financial statements
for year 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 year 2021 reached EUR 78.1 million euros, an increase by 13.8% 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 8.8 million which is lower by 6% than in the respective period in the year 2020, which was mainly influenced by the marketing activities carried out for the promotion of the brands produced by Latvijas balzams in the international markets.

AS Latvijas balzams
Unaudited condensed financial statements
for year 2021

REPORT OF THE MANAGEMENT (continued)

The operating profit for the year 2021 amounts to EUR 7.4 million, which is almost the same as in the respective period on the year 2020 (7.39 million euros). The operating margin for the reporting period is 9.5% (2020: 10.8 %).

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:

	2021	2020	2019
ROA*	5.1%	5.7%	6.5%
ROE**	6.4%	7.2%	8.4%

* 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:

	2021	2020	2019
	EUR 000	EUR 000	EUR 000
EBITDA*	9 771	9 977	10 645
EBIT **	7 398	7 388	7 995

* 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 75.8 million to the state budget, including excise tax amounting to EUR 61.2 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 year of 2021, RFT reached 97.6 %, which is small decrease against the respective period on 2020 (98.6 %). The OTIF result for reporting period is 95.98% which is improvement in comparison to the indicator for year 2020 – 94.38%.

In year 2021, semi-automatic depalletization equipment was installed on the Riga Black Balsam® and sparkling beverage lines, the technical equipment of the warehouse was renovated, 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)

In order to minimize the impact from the Covid-19 pandemic, the management of AS Latvijas balzams continues to actively review current investment projects and make decisions on their cancellation, transfer or implementation. Likewise, the Company 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.

REPORT OF THE MANAGEMENT (continued)

Stock and fund market

During year 2021, the Company's share price fluctuated from EUR 8.95 to EUR 11.98 per share.



According to the decision of the Company's Shareholders' meeting held on 30 September 2021, part of 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 31 December 2021, the Company's current assets exceeded its current liabilities by 123.9 million euros (on 31.12.2020 by 80.1 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*	4.56	3.30	3.45
Quick ratio**	3.83	2.55	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

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 31 December 2021.

The Company acknowledges that the escalation of the military and political situation between Russia and Ukraine potentially will affect its operations, but the potential impact is currently difficult to assess due to the high level of uncertainty and the rapid development of the situation.

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.

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.

Investments in infrastructure facilities will be continued in 2022.

Intars Geidāns
Chairman of the Board
Riga, 28 February 2022



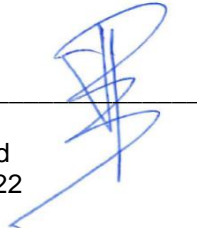
AS Latvijas balzams
Unaudited condensed financial statements
for year 2021

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, 28 February 2022



AS Latvijas balzams
Unaudited condensed financial statements
for year 2021

INCOME STATEMENT

	Notes	01.01.2021- 31.12.2021 EUR	01.01.2020- 31.12.2020 EUR
Revenue	2	78 052 067	68 577 034
Cost of sales	3	(60 076 529)	(52 627 722)
Gross profit		17 975 538	15 949 312
Distribution expenses	4	(7 179 735)	(5 981 472)
Administrative expenses	5	(4 665 686)	(4 390 911)
Other operating income		2 034 058	2 440 914
Other operating expenses		(765 738)	(629 918)
Finance income		1 429 765	2 029 581
Finance expenses		(67 927)	(93 201)
Profit before tax		8 760 275	9 324 305
Net profit		8 760 275	9 324 305

STATEMENT OF COMPREHENSIVE INCOME

	01.01.2021- 31.12.2021 EUR	01.01.2020- 31.12.2020 EUR
Net profit	8 760 275	9 324 305
Total comprehensive income for the period	8 760 275	9 324 305

AS Latvijas balzams
Unaudited condensed financial statements
for year 2021

STATEMENT OF FINANCIAL POSITION

	31.12.2021	31.12.2020
	EUR	EUR
<u>ASSETS</u>		
Non-current assets		
Intangible assets	231 191	87 191
Property, plant and equipment	13 468 456	12 559 124
Right-of-use assets	1 903 220	2 620 852
Investment property	-	1 712 785
Loans to group companies	-	37 778 791
Other non current assets	423 325	281 745
Total non-current assets:	16 026 192	55 040 488
Current assets		
Inventories	24 908 893	25 459 313
Trade receivables	1 311 505	976 628
Receivables from group companies	64 593 875	52 870 659
Loans to group companies within the Group account	67 296 278	34 645 647
Other current assets	476 840	710 579
Cash and cash equivalents	88 909	279 563
Total current assets:	158 676 300	114 942 389
<u>Total assets</u>	<u>174 702 492</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	125 903 934	120 592 233
Total equity:	138 806 304	133 494 603
Liabilities		
Non-current liabilities		
Borrowings	1 099 425	1 662 635
Total non-current liabilities:	1 099 425	1 662 635
Current liabilities		
Borrowings	1 051 163	1 246 452
Trade payables	7 004 576	5 478 413
Payables to group companies	1 925 224	1 482 774
Taxes payable	22 489 422	24 746 837
Other liabilities	2 326 378	1 871 163
Total current liabilities:	34 796 763	34 825 639
Total liabilities:	35 896 188	36 488 274
<u>Total equity and liabilities</u>	<u>174 702 492</u>	<u>169 982 877</u>

Intars Geidāns
Chairman of the Board
Riga, 28 February 2022

AS Latvijas balzams
Unaudited condensed financial statements
for year 2021

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	-	-	-	9 324 305	9 324 305
Total comprehensive income	-	-	-	9 324 305	9 324 305
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	-	-	-	8 760 275	8 760 275
Total comprehensive income	-	-	-	5 311 701	5 311 701
31.12.2021.	10 495 660	87 887	2 318 823	125 903 934	138 806 304

AS Latvijas balzams
Unaudited condensed financial statements
for year 2021

CASH FLOW STATEMENT

	01.01.2021- 31.12.2021	01.01.2020- 31.12.2020
	EUR	EUR
Cash flow from operating activities		
Profit for the period before taxation	8 760 275	9 324 305
<u>Adjustments for:</u>		
Depreciation and amortisation	2 372 128	2 588 131
Net (profit) loss on sales and disposal of property, plant and equipment, investment property and intangibles	(502 489)	(353)
Accruals	(366 848)	(100 194)
Interest income	(1 429 765)	(2 029 581)
Interest expense	67 927	93 201
<u>Changes in working capital:</u>		
Decrease / (Increase) in inventories	917 268	(5 737 029)
(Increase) in trade and other receivables	(9 791 499)	(3 891 910)
Increase in trade and other payables	113 196	5 392 037
Cash generated from operations	140 193	5 638 607
Interest paid	(67 927)	(93 201)
Net cash generated from operating activities	72 266	5 545 406
Cash flow from investing activities		
Acquisition of property, plant and equipment and intangible assets	(2 000 329)	(1 951 460)
Proceeds from sales of property, plant and equipment	33 652	8 564
Received incomes from borrowings	1 339 645	692 040
Changes in credit lines (net)	5 218 280	(3 941 328)
Net cash flow (used in) / generated from investing activities	4 591 248	(5 192 184)
Cash flow from financing activities		
Borrowings repaid	(310 704)	(144 955)
Lease payments	(1 094 890)	(762 033)
Payment of dividends	(3 448 574)	-
Net cash flow used in financing activities	(4 854 168)	(906 988)
Net increase in cash and cash equivalents	(190 654)	(553 766)
Cash and cash equivalents at the beginning of the period	279 563	833 329
Cash and cash equivalents at the end of the period	88 909	279 563

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 December 31, 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 twelve months of 2021 which ends on 31 December 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 2021.

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.

AS Latvijas balzams
Unaudited condensed financial statements
for year 2021

(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- 31.12.2021	01.01.2020- 31.12.2020
	EUR	EUR
Production of alcoholic beverages	73 574 468	63 332 446
Sales of other goods and materials	239 542	569 289
Other services	4 238 057	4 675 299
	<u>78 052 067</u>	<u>68 577 034</u>

c) Geographical segmentation

	01.01.2021- 31.12.2021	01.01.2020- 31.12.2020
	EUR	EUR
Cyprus	43 506 265	37 459 472
Latvia	26 288 996	24 855 724
Lithuania	4 309 057	3 546 371
Estonia	779 633	639 128
Russia	1 422 599	481 238
Ukraine	281 675	310 729
Romania	415 510	270 751
Turkey	269 419	232 768
Other	778 913	780 853
	<u>78 052 067</u>	<u>68 577 034</u>

AS Latvijas balzams
Unaudited condensed financial statements
for year 2021

(4) COST OF SALES

	01.01.2021- 31.12.2021	01.01.2020- 31.12.2020
	EUR	EUR
Raw materials and consumables	48 124 847	41 116 101
Salary expense	5 691 781	5 446 094
The state compulsory social insurance contributions	1 331 880	1 303 935
Depreciation of non-current assets	1 205 140	1 271 431
Energy resources	860 998	756 204
Repair and maintenance expenses	655 685	620 598
Management of packaging	726 092	554 399
Insurance payments	27 958	36 330
Laboratory expenses	24 791	20 244
Accrued expenses on unused annual leave	80 869	(48 358)
Other costs	1 346 488	1 548 744
	<u>60 076 529</u>	<u>52 625 722</u>

(5) DISTRIBUTION EXPENSES

	01.01.2021- 31.12.2021	01.01.2020- 31.12.2020
	EUR	EUR
Salary expenses	1 922 746	1 780 278
Advertising and sales promotion expenses	2 118 900	1 324 463
Depreciation of non-current assets	992 726	1 000 756
Transportation expenses	696 162	601 736
Warehouse maintenance expenses	430 398	381 625
The state compulsory social insurance contributions	452 534	427 556
Other expenses	566 269	465 058
	<u>7 179 735</u>	<u>5 981 472</u>

AS Latvijas balzams
Unaudited condensed financial statements
for year 2021

(6) ADMINISTRATIVE EXPENSES

	01.01.2021- 31.12.2021	01.01.2020- 31.12.2020
	EUR	EUR
Management services and expenses	2 433 359	2 074 977
Salary expenses	670 816	686 820
Depreciation of non-current assets	174 262	315 944
Computer maintenance	209 880	234 731
Financial support, sponsorship	103 954	116 492
The state compulsory social insurance contributions	154 388	162 085
Real estate tax	161 355	161 355
Professional service costs	78 868	120 589
Transport costs	27 664	33 001
Office expenses	8 734	34 323
Communication and postal expenses	12 601	15 553
Representation expenses	17 142	12 995
Bank commissions	15 685	10 891
Other expenses	596 978	411 155
	<u>4 665 686</u>	<u>4 390 911</u>

(7) SUBSEQUENT EVENTS

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 31 December 2021.