



AS AMBER LATVIJAS BALZAMS

(Registration number 40003031873)

UNAUDITED CONDENSED FINANCIAL STATEMENTS

for the first three months of 2023

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

AS Amber Latvijas balzams
Unaudited condensed financial statements
for the first three months of year 2023

INFORMATION ON THE COMPANY

Name of the Company	Amber Latvijas balzams (until 30.04.2022 – 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 Guntars Reidzāns - 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 Amber 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; in the period from 1970 to 2022, it operated under the name AS "Latvijas balzams", but since 2022, under the name AS "Amber Latvijas balzams". 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, the Company operates two production units of alcoholic drinks 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 Amber Latvijas balzams products date back hundreds of years; for example, the formula of Riga Black Balsam® was officially written down more than 270 years ago - in 1752. The mission of AS Amber Latvijas balzams is 'Excellence in everything we do'.

Overall, the Company produces more than 100 different brands. Products produced by AS Amber Latvijas balzams are sold almost in all regions of the world, mediated by Amber Beverage Group and Stoli Group and via the direct export route.

The Company cooperates with the largest suppliers of raw materials and consumables in the European Union. One of the key resources is water, which is derived from artesian wells located in territories of the Company. Ethyl spirit for the production of most of the products is supplied to the Company by producers working in the European Union.

Logistics services represent a small, but still significant part of the Company's business. Logistic services are mainly rendered to related companies; however, the volume of services, such as transit assurance, bonded warehouse services, value-added services, picking and other logistic services provided to other partners of the spirits industry are growing. These activities allow to improve the utilisation of resources.

The Company as a socially responsible and sustainable enterprise has developed and complies with the core principles of corporate social responsibility. These have been harmonized with the United Nations Sustainable Development Goals for 2030, the Guidelines of OECD, 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

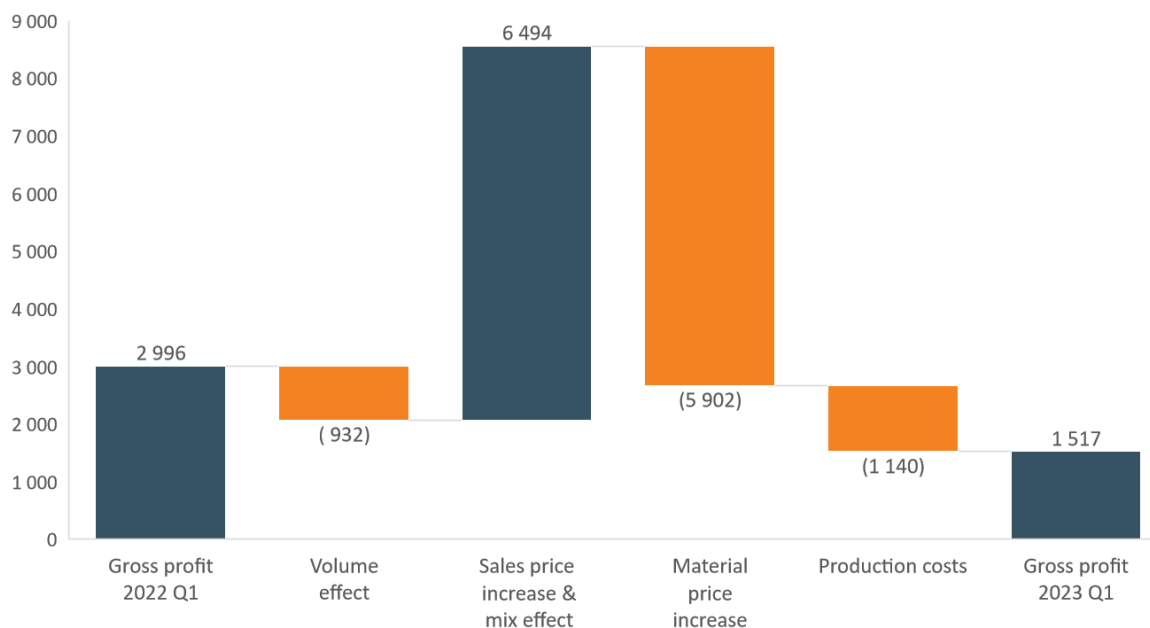
Financial performance

The company's unaudited net turnover in the first three months of the year 2023 reached 21.6 million euros, which is 20.4% more than in the corresponding period in 2022. The increase in turnover is related to the sales price changes introduced in the second half of 2022 as well as the implemented initiatives to open new markets for the main brands produced by the Company.

The gross profit in the reporting period was 1.5 million euros, which is a decrease of 1.5 million euros compared to the corresponding period in 2022. The gross profit indicator was affected both by the drop in sales amounting to 15.7%, which is basically due to the decrease in orders of the Stoli group, and also by a significant increase in production-related costs and an increase in personnel costs.

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REPORT OF THE MANAGEMENT (continued)



The main sources of influence on the increase in production-related costs are energy costs, which have increased by 452 thousand euros as a result of rapid price fluctuations, additional salary costs due to both the revised wages and the energy price crisis bonuses granted to employees (as support for employees of the Company in 2022/2023 during the heating season, some employees were given a monthly energy allowance of around 75 euros).

The results of the operational activity of the first three months of 2023 are losses in the amount of 1.5 million euros; the corresponding indicator in 2022 was a profit of 0.4 million euros. The ratio of operating profit to turnover in the reporting period of 2023 was -6.7% (2022: 2.2%), which was directly influenced by both the above-mentioned factors with an impact on gross profit and the proportion of fixed costs in the total amount of costs.

The Company's unaudited net loss for the reporting period is 1.2 million euros, which is a significant decrease compared to the corresponding period in 2022. However, the Company's management believes that the financial situation will improve in the following reporting year, taking into account the switched fixed price contracts for the purchase of energy resources, the positive trends in sales dynamics in the export market, as well as a series of initiatives and measures to promote the efficiency of the production process.

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:

	31.03.2023	31.03.2022	31.03.2021
ROA*	2.5%	4.8%	6.0%
ROE**	3.2%	6.1%	7.5%

* ROA = Net profit of the last 12 months / average asset value x 100%

** ROE = Net profit of the last 12 months / average total equity x 100%

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REPORT OF THE MANAGEMENT (continued)

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

	01.04.2022- 31.03.2023 EUR 000	01.04.2021- 31.03.2022 EUR 000	01.04.2020- 31.03.2021 EUR 000
EBITDA*	6 722	9 358	10 472
EBIT **	4 539	7 027	8 005

* EBITDA = Last 12 months earnings before interest and corporate income tax, depreciation and amortization

* EBIT = Last 12 months earnings before interest and corporate income tax

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 Amber Latvijas balzams is one of the largest local taxpayers. During the reporting period, the Company paid taxes of EUR 18 million to the state budget, including excise tax amounting to EUR 14.7 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 quarter of the year 2023, RFT reached 89.5%, which is a small decrease compared to the respective period in 2022 (96.4%). The OTIF indicator for the reporting period (first quarter of 2023) is 94.23%, which has increased compared to the 2022 indicator of 92.84%.

The management of AS Amber Latvijas balzams continues to actively review current investment projects and make decisions about their implementation, as well as, if necessary, their postponement or cancellation.

Risk assessment and management

As regards to 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 maintenance of adequate jobs by investing in the development of production, services and human resources by means of training.

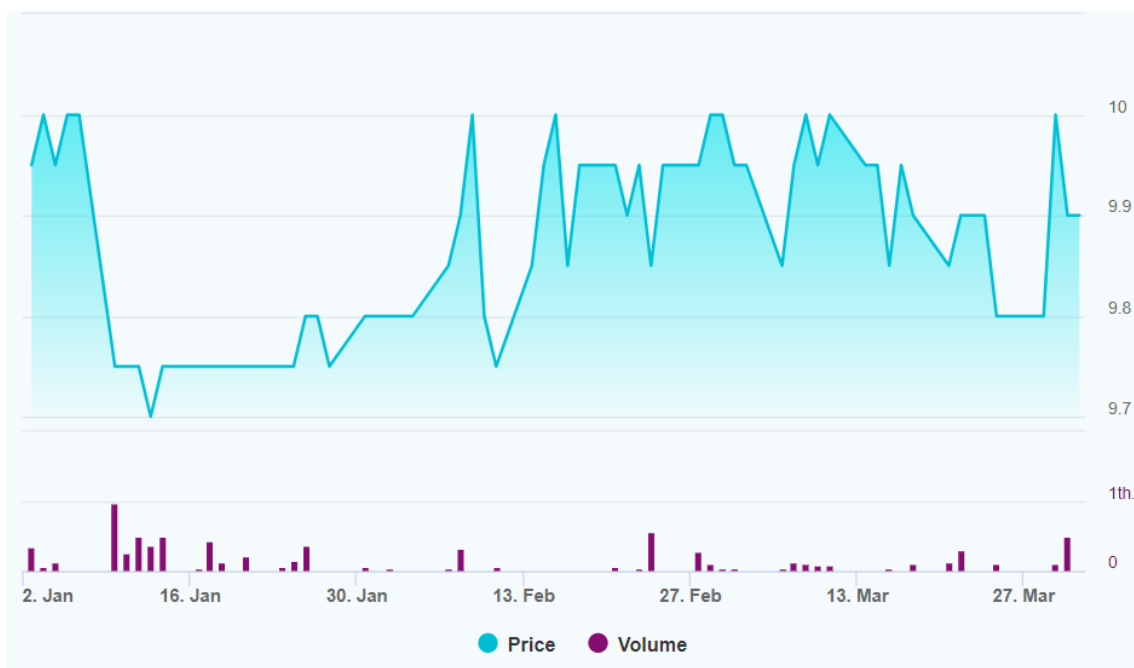
In the course of business, the Company strictly complies with the legislation of the Republic of Latvia. Considering the industry, the Company is devoting a great deal of attention to the assessment of transactions and their conformity with laws.

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REPORT OF THE MANAGEMENT (continued)

Stock and fund market

During the first quarter of 2023, the Company's share price fluctuated from EUR 9.70 to EUR 10.00 per share (Nasdaq Baltic indicator BAL1R; ISIN: LV0000100808).



The dynamics of share price for the previous three reporting periods is presented as follows:

	Average price, EUR	Minimum price, EUR	Maximum price, EUR
The year 2023 1st quarter	9.87	9.70	10.00
The year 2022 1st quarter	11.02	8.50	12.00
The year 2021 1st quarter	9.00	8.80	9.30

REPORT OF THE MANAGEMENT (continued)

Financial risk management

In the ordinary course of business, AS Amber 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 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 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, by monitoring forecasted and actual cash flows and by matching the maturities of financial assets and liabilities on an ongoing basis.

On 31 March 2023, the Company's current assets exceeded its current liabilities by EUR 88.75 million euros (on 31 March 2022 by EUR 124.02 million). 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:

	2023	2022	2021
Current ratio*	2.98	4.45	3.51
Quick ratio**	2.24	3.67	2.67

* *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*


Since the last day of interim financial statements and the 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 March 2023.

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 first half of 2023, a significant drop in the prices of raw materials and energy resources is not expected; rather, the market will experience rapid price fluctuations, which will be influenced by geopolitical and macroeconomic policy changes and events in the international financial markets. However, the Company continues to work actively, balancing the impact of resource cost increases with sales price revisions.

Also, investments in infrastructure facilities will be continued in 2023.


Intars Geidāns
Chairman of the Board
Riga, 31 May 2023

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 May 2023

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INCOME STATEMENT

	Notes	01.01.2023- 31.03.2023 EUR	01.01.2022- 31.03.2022 EUR
Revenue	3	21 635 824	17 958 100
Cost of sales	4	(20 118 767)	(14 962 085)
Gross profit		1 517 057	2 996 015
Distribution expenses	5	(2 016 139)	(1 792 707)
Administrative expenses	6	(1 237 508)	(908 474)
Other operating income		504 260	162 788
Other operating expenses		(219 731)	(66 904)
Operating profit/ (loss)		(1 452 061)	390 718
Net finance income/ (costs)	7	242 741	271 151
Profit/ (loss) before tax		(1 209 320)	661 869
Net profit/ (loss)		(1 209 320)	661 869

STATEMENT OF COMPREHENSIVE INCOME

	01.01.2023- 31.03.2023 EUR	01.01.2022- 31.03.2022 EUR
Net profit/ (loss)	(1 209 320)	661 869
Total comprehensive income/ (loss) for the period	(1 209 320)	661 869

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STATEMENT OF FINANCIAL POSITION

	31.03.2023	31.12.2022
	EUR	EUR
ASSETS		
Non-current assets		
Intangible assets	342 881	360 940
Property, plant and equipment	15 267 841	15 236 211
Right-of-use assets	2 696 842	1 766 606
Loans to group companies	33 730 915	33 730 915
Other non current assets	334 947	1 352 901
Total non-current assets:	52 373 426	52 447 573
Current assets		
Inventories	32 253 340	31 939 822
Trade receivables	1 231 522	2 049 260
Receivables from group companies	57 586 601	60 108 353
Loans to group companies within the Group account	41 478 940	46 433 065
Other current assets	1 007 581	719 222
Cash and cash equivalents	88 782	150 931
Total current assets:	133 646 766	141 400 653
<u>Total assets</u>	<u>186 020 192</u>	<u>193 848 226</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	126 499 588	127 708 909
Total equity:	139 401 958	140 611 279
Liabilities		
Non-current liabilities		
Borrowings	1 723 758	887 555
Total non-current liabilities:	1 723 758	887 555
Current liabilities		
Borrowings	971 919	1 222 189
Trade payables	11 807 181	15 897 558
Payables to group companies	2 920 683	4 848 742
Taxes payable	26 574 298	27 409 203
Other liabilities	2 620 395	2 971 700
Total current liabilities:	44 894 476	52 349 392
Total liabilities:	46 618 234	53 236 947
<u>Total equity and liabilities</u>	<u>186 020 192</u>	<u>193 848 226</u>

Intars Geidāns
Chairman of the Board
Riga, 31 May 2023

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STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
31.12.2021.	10 495 660	87 887	2 318 823	125 874 926	138 777 296
Net profit	-	-	-	6 332 122	6 332 122
Total comprehensive income	-	-	-	6 332 122	6 332 122
Dividends	-	-		(4 498 140)	(4 498 140)
31.12.2022.	10 495 660	87 887	2 318 823	127 708 908	140 611 278
Net profit	-	-	-	(1 209 320)	(1 209 320)
Total comprehensive income	-	-	-	(1 209 320)	139 401 958
Dividends	-	-	-	-	-
31.03.2023.	10 495 660	87 887	2 318 823	126 499 588	139 401 958

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CASH FLOW STATEMENT

	01.01.2023- 31.03.2023	01.01.2022- 31.03.2022
	EUR	EUR
Cash flow from operating activities		
Profit/ (loss) for the period before taxation	(1 209 320)	661 869
<u>Adjustments for:</u>		
Depreciation amortisation	595 062	534 217
Net (profit) lon sales and disposal of property, plant and equipment, investment property and intangibles	3 054	(3 113)
Accruals for slow moving stock	-	345 000
Interest income	(252 982)	(283 341)
Interest expense	16 973	11 833
<u>Changes in working capital:</u>		
(Increase) in inventories	(313 518)	(2 677 700)
Decrease in trade and other receivables	4 069 085	8 757 361
(Increase) / decrease in trade and other payables	(6 361 285)	1 428 972
Net cash (used in)/ generated from operating activities	(3 452 932)	8 775 098
Cash flow from investing activities		
Acquisition of property, plant and equipment and intangible assets	(1 549 081)	(399 956)
Proceeds from sales of property, plant and equipment	-	5 000
Proceeds from repayment of issued borrowings	-	736 655
Interest received	399 423	-
Changes in credit lines (net)	4 807 684	(8 847 246)
Net cash flow (used in) / generated from investing activities	3 658 027	(8 505 547)
Cash flow from financing activities		
Borrowings repaid	(77 676)	(77 676)
Lease payments	(164 581)	(224 328)
Interest paid	(24 987)	(11 833)
Net cash flow generated from/ (used in) financing activities	(267 244)	(313 837)
Net increase in cash and cash equivalents	(62 149)	(44 286)
Cash and cash equivalents at the beginning of the period	150 931	88 909
Cash and cash equivalents at the end of the period	88 782	44 623

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NOTES

(1) GENERAL INFORMATION

AS Amber Latvijas balzams (hereinafter also - the Company) is a joint-stock company that is incorporated and has its registered office in Latvia. The company was founded in 1900 as "Riga state vodka warehouse No. 1". In the period from 1970 to 2022, it operated under the name AS "Latvijas balzams", but since May 2022, under the name AS "Amber Latvijas balzams". The registered address of the Company is 160 Aleksandra Caka Street, Riga, LV-1012, Republic of Latvia. Shares of AS Amber Latvijas balzams are listed on the Baltic Secondary List of the Nasdaq Riga AS (BAL1R, ISIN LV0000100808).

The Company is the largest producer of alcoholic beverages in the Baltic States. AS Amber 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 31 May 2023, is Amber Beverage Group Holding S.à r.l. (a company incorporated in Luxembourg).

(2) ACCOUNTING POLICIES

Basis for preparation

The condensed financial statements for 2022 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 for the year 2022.

To ensure proper comparison of financial information the data in the report, some items of the first quarter 2022 Profit or Loss Statement have been reclassified.

Functional currency and revaluation

The functional and presentation currency of the Company is the official currency of the Republic of Latvia – the euro (EUR).

Foreign currency transactions have been translated into euros by applying the exchange rate valid at the beginning of the day of the transaction determined by the conversion procedure between central banks of the European System of Central Banks and other central banks and published on the European Central Bank's website.

On the last day of the reporting period, all monetary assets and liabilities were translated into euros in accordance with the rates (at the end of the day) published on the European Central Bank's website except for monetary assets and liabilities denominated in Russian rubles - for revaluation of such assets and liabilities the exchange rate published by the Central Bank of Russia on the last day of the reporting period is used.

The profit or loss resulting from the exchange rate fluctuations of the foreign currency is recognized net in the income statement for the respective period.

	31.03.2023	31.03.2022
	EUR	EUR
1 USD	0.9008	0.8529
1 GBP	1.1821	1.1736
1 RUB	0.0119	0.0107

Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of the unaudited condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. 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.

NOTES (continued)

(3) NET REVENUE

a) Operation and reportable segment

The core activity of the Company is the production of alcoholic beverages. AS Amber 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

	01.01.2023- 31.03.2023	01.01.2022- 31.03.2022
	EUR	EUR
Production of alcoholic beverages	19 932 486	16 752 980
Sales of other goods and materials	314 827	158 651
Other services	1 388 511	1 046 469
	<u>21 635 824</u>	<u>17 958 100</u>

c) Revenue by geography (by customer)

	01.01.2023- 31.03.2023	01.01.2022- 31.03.2022
	EUR	EUR
Cyprus	12 856 403	10 675 618
Latvia	6 198 278	5 361 058
Lithuania	1 154 933	885 753
Germany	107 602	23 350
Sweden	141 005	206 037
Estonia	309 179	197 579
Romania	57 209	128 701
Turkey	183 757	28 200
Ukraine	150 135	97 972
Finland	27 992	-
Norway	49 637	38 585
Brazil	67 140	40 993
Other	332 554	274 254
	<u>21 635 824</u>	<u>17 958 100</u>

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NOTES (continued)

(4) COST OF SALES

	01.01.2023- 31.03.2023	01.01.2022- 31.03.2022
	EUR	EUR
Raw materials and consumables	16 034 835	12 017 942
Salary expense	1 788 516	1 442 750
The state compulsory social insurance contributions	420 028	338 112
Depreciation of non-current assets	351 249	280 632
Energy resources	672 939	220 893
Repair and maintenance expenses	212 860	159 739
Management of packaging	281 574	149 015
Insurance payments	10 884	6 810
Laboratory expenses	12 735	8 302
Accrued expenses on unused annual leave	(112 220)	67 135
Other costs	445 367	270 755
	<u>20 118 767</u>	<u>14 962 085</u>

(5) DISTRIBUTION EXPENSES

	01.01.2023- 31.03.2023	01.01.2022- 31.03.2022
	EUR	EUR
Salary expenses	527 411	483 781
Advertising and sales promotion expenses	544 294	425 054
Depreciation of non-current assets	225 408	234 357
Transportation expenses	201 508	179 128
Warehouse maintenance expenses	234 023	179 151
The state compulsory social insurance contributions	124 253	108 758
Other expenses	159 242	182 478
	<u>2 016 139</u>	<u>1 792 707</u>

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NOTES (continued)

(6) ADMINISTRATIVE EXPENSES

	01.01.2023- 31.03.2023	01.01.2022- 31.03.2022
	EUR	EUR
Management services and expenses	664 146	577 727
Salary expenses	254 452	73 481
Depreciation of non-current assets	18 405	19 228
Computer maintenance	64 248	49 594
Financial support, sponsorship	3 500	11 000
The state compulsory social insurance contributions	56 800	16 797
Real estate tax	37 144	37 144
Professional service costs	28 175	12 273
Transport costs	11 847	8 060
Office expenses	6 597	2 487
Communication and postal expenses	1 979	4 345
Representation expenses	5 543	4 852
Bank commissions	6 163	2 750
Other expenses	78 509	88 736
	<u>1 237 508</u>	<u>908 474</u>

(7) NET FINANCE INCOME/ (COSTS)

	01.01.2023- 31.03.2023	01.01.2022- 31.03.2022
	EUR	EUR
Finance income		
Interest income related parties	252 982	283 341
Foreign exchange gain, net	6 732	-
Total finance income	<u>259 714</u>	<u>283 341</u>
Finance costs		
Interest expense	16 973	10 989
Interest expense to related parties	-	844
Foreign exchange loss, net	-	357
Total finance costs	<u>16 973</u>	<u>12 190</u>
Net finance income / (costs)	<u>242 741</u>	<u>271 151</u>

(8) SUBSEQUENT EVENTS

There were no subsequent events since the last date of the financial period until the date of signing these unaudited condensed financial statements that require adjustment to or disclosure in these unaudited condensed financial statements.