



**AS LATVIJAS BALZAMS**

(Registration number 40003031873)

**UNAUDITED CONDENSED FINANCIAL STATEMENTS**

for the first three months of 2021

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

AS Latvijas balzams  
Unaudited condensed financial statements  
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**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 1<sup>st</sup> 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 three months of 2021 reached EUR 13.3 million euros, a decrease by 16.3% against the respective period in 2020, mainly affected by the Covid-19 pandemic situation in many parts of the world and the restrictions implemented by national governments, starting from the first quarter of the year 2020. The small decrease in sales was also impacted by the shortage of sea containers which is a global problem this year and due to that part of the orders were carried forward to the next months of 2021.

The net profit for the reporting period is EUR 1.1 million, which is higher than in the respective period in 2020 and which has been positively affected by both the Company's process efficiency measures since the beginning of the Covid-19 pandemic and the implemented cost reduction activities, as well as received state support to minimize the pandemic consequences.

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

**REPORT OF THE MANAGEMENT (continued)**

The operating profit for the first three months of 2021 amounts to EUR 0.8 million, which is higher than as in the respective period on the year 2020 (0.2 million euros). The operating margin for the reporting period is 5.8% (2020: 1.0%).

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) for the last three years:

	<b>31.03.2021</b>	<b>31.03.2020</b>	<b>31.03.2019</b>
ROA*	0.7%	0.4%	0.7%
ROE**	0.8%	0.5%	0.9%

\* 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 last three years are as follows:

	<b>01.01.2021- 31.03.2021</b>	<b>01.01.2020- 31.03.2020</b>	<b>01.01.2019- 31.03.2019</b>
	<b>EUR 000</b>	<b>EUR 000</b>	<b>EUR 000</b>
EBITDA*	1 343	847	1 187
EBIT**	768	151	524

\* EBIT = earnings before interest and taxes

\*\* EBITDA = earnings before interest and taxes, 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 11.96 million to the state budget, including excise tax amounting to EUR 9.9 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 2021, RFT reached 97.9 %, which is small decrease against the respective period on 2020 (90,0 %). The OTIF result for 2021 is 94% which is a small decrease in comparison to the indicator for year 2020 – 96,1%.

## **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;
- Orders from Stoli Group, which is the major customer of Latvijas balzams, have decreased;
- 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 has been taken on their cancellation or suspension, 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

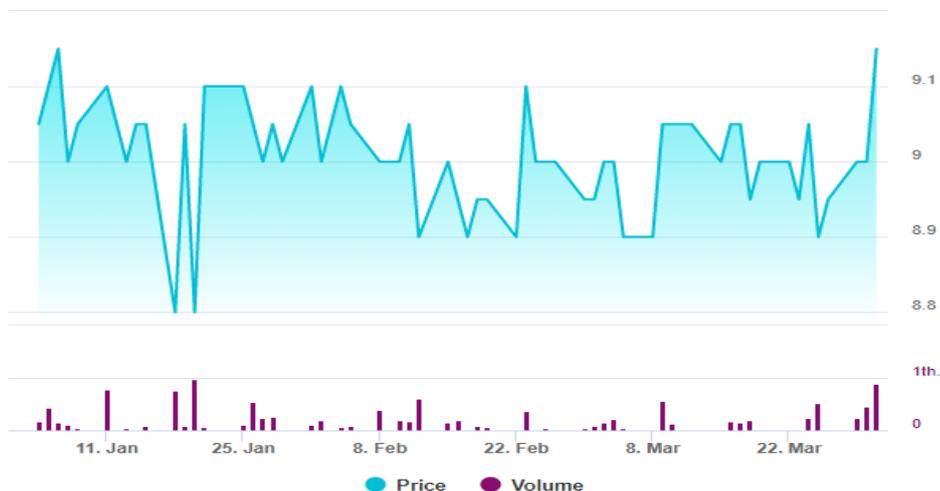
In the course of business, the Company strictly complies with the legislation of the Republic of Latvia. Considering the industry, the Company is devoting a great deal of attention to the assessment of transactions and their conformity with laws.

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

**REPORT OF THE MANAGEMENT (continued)**

**Stock and fund market**

In the first quarter of 2021, the Company's share price fluctuated from EUR 8.80 to EUR 9.15 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 31 March 2021, the Company's current assets exceeded its current liabilities by 81.1 million euros (on 31.03.2020 by 72.6 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:

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Current ratio*	3.51	3.27	2.64
Quick ratio**	2.67	2.49	1.95

\* Current ratio = current assets / current liabilities

\*\* Quick ratio = (trade receivables + receivables from related parties + cash and cash equivalents) / 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 subsequent events that would have a significant effect on the financial position of the Company as of 31 March 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 first quarter of 2021, a semi-automatic depalletization unit was installed on the Riga Black Balsam® beverage line and several new products in the RTD (ready-to-drink) category and Hard Seltzer (an alcoholic cocktail characterized by low calorie, carbohydrate and sugar content) were produced.

During the year 2021 the following projects will be continued:

- 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;
- 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.



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Intars Geidāns  
Chairman of the Board  
Riga, 31 May 2021

AS Latvijas balzams  
Unaudited condensed financial statements  
for the first three months of 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.

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Intars Geidāns  
Chairman of the Board  
Riga, 31 May 2021



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

**INCOME STATEMENT**

	Notes	01.01.2021- 31.03.2021 EUR	01.01.2020- 31.03.2020 EUR
Revenue	2	13 300 851	15 893 186
Cost of sales	3	(10 535 884)	(13 198 526)
<b>Gross profit</b>		<u><b>2 764 967</b></u>	<u><b>2 694 660</b></u>
Distribution expenses	4	(1 415 781)	(1 594 123)
Administrative expenses	5	(950 951)	(1 124 742)
Other operating income		516 491	376 918
Other operating expenses		(147 011)	(201 316)
Finance income		343 621	512 435
Finance expenses		(12 118)	(23 574)
<b>Profit before tax</b>		<u><b>1 099 218</b></u>	<u><b>640 258</b></u>
<b>Net profit</b>		<u><b>1 099 218</b></u>	<u><b>640 258</b></u>

**STATEMENT OF COMPREHENSIVE INCOME**

	01.01.2021- 31.03.2021 EUR	01.01.2020- 31.03.2020 EUR
<b>Net profit</b>	<u><b>1 099 218</b></u>	<u><b>640 258</b></u>
<b>Total comprehensive income for the period</b>	<u><b>1 099 218</b></u>	<u><b>640 258</b></u>

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

**STATEMENT OF FINANCIAL POSITION**

	<b>31.03.2021</b>	<b>31.12.2020</b>
	<b>EUR</b>	<b>EUR</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	157 842	87 191
Property, plant and equipment	12 373 996	12 559 124
Right-of-use assets	2 568 790	2 620 852
Investment property	1 686 764	1 712 785
Loans to group companies	37 778 791	37 778 791
Other non current assets	593 310	281 745
<b>Total non-current assets:</b>	<b>55 159 493</b>	<b>55 040 488</b>
<b>Current assets</b>		
Inventories	25 883 180	25 459 313
Trade receivables	655 370	976 628
Receivables from group companies	52 309 806	52 870 659
Loans to group companies within the Group account	33 185 104	34 645 647
Other current assets	1 303 211	710 579
Cash and cash equivalents	125 294	279 563
<b>Total current assets:</b>	<b>113 461 965</b>	<b>114 942 389</b>
<b><u>Total assets</u></b>	<b><u>168 621 458</u></b>	<b><u>169 982 877</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	10 495 660	10 495 660
Share premium	87 887	87 887
Reserves	2 318 823	2 318 823
Retained earnings	121 691 451	120 592 233
<b>Total equity:</b>	<b>134 593 821</b>	<b>133 494 603</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Borrowings	1 662 635	1 662 635
<b>Total non-current liabilities:</b>	<b>1 662 635</b>	<b>1 662 635</b>
<b>Current liabilities</b>		
Borrowings	1 001 623	1 246 452
Trade payables	4 076 796	5 478 413
Payables to group companies	1 796 661	1 482 774
Taxes payable	23 616 991	24 746 837
Other liabilities	1 872 931	1 871 163
<b>Total current liabilities:</b>	<b>32 365 002</b>	<b>34 825 639</b>
<b>Total liabilities:</b>	<b>34 027 637</b>	<b>36 488 274</b>
<b><u>Total equity and liabilities</u></b>	<b><u>168 621 458</u></b>	<b><u>169 982 877</u></b>

Intars Geidāns  
Chairman of the Board  
Riga, 31 May 2021

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

**STATEMENT OF CHANGES IN EQUITY**

	Share capital	Share premium	Reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
<b>31.12.2019.</b>	<b>10 495 660</b>	<b>87 887</b>	<b>2 318 823</b>	<b>111 267 928</b>	<b>124 170 298</b>
Net profit	-	-	-	640 258	640 258
<b>Total comprehensive income</b>	-	-	-	<b>640 258</b>	<b>640 258</b>
<b>31.03.2020.</b>	<b>10 495 660</b>	<b>87 887</b>	<b>2 318 823</b>	<b>111 908 186</b>	<b>124 810 556</b>
<b>31.12.2020.</b>	<b>10 495 660</b>	<b>87 887</b>	<b>2 318 823</b>	<b>120 592 233</b>	<b>133 494 603</b>
Net profit	-	-	-	1 099 218	1 099 218
<b>Total comprehensive income</b>	-	-	-	<b>1 099 218</b>	<b>1 099 218</b>
<b>31.03.2021.</b>	<b>10 495 660</b>	<b>87 887</b>	<b>2 318 823</b>	<b>121 691 451</b>	<b>134 593 821</b>

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

**CASH FLOW STATEMENT**

	<b>01.01.2021- 31.03.2021</b>	<b>01.01.2020- 31.03.2020</b>
	<b>EUR</b>	<b>EUR</b>
<b>Cash flow from operating activities</b>		
Profit for the period before taxation	1 099 218	640 258
<u>Adjustments for:</u>		
Depreciation and amortisation	574 798	695 359
Net loss / (profit) on sales and disposal of property, plant and equipment and intangibles	7 228	(283)
Accruals		39 590
Interest income	(343 621)	(512 435)
Interest expense	12 118	23 574
<u>Changes in working capital:</u>		
(Increase) in inventories	(423 867)	(4 700 563)
(Increase) / decrease in trade and other receivables	(22 086)	8 163 256
(Decrease) / increase in trade and other payables	(2 215 760)	3 025 698
<b>Cash generated from operations</b>	<b>(1 311 972)</b>	<b>7 374 454</b>
Interest paid	(12 118)	(22 481)
<b>Net cash generated from operating activities</b>	<b>(1 324 090)</b>	<b>7 351 973</b>
<b>Cash flow from investing activities</b>		
Acquisition of property, plant and equipment and intangible assets	(395 271)	(863 491)
Proceeds from sales of property, plant and equipment	5 806	283
Changes in credit lines (net)	1 804 164	(4 583 491)
<b>Net cash flow (used in) / generated from investing activities</b>	<b>1 414 699</b>	<b>(5 446 699)</b>
<b>Cash flow from financing activities</b>		
Borrowings repaid	(77 676)	(67 319)
Lease payments	(167 202)	(313 914)
<b>Net cash flow used in financing activities</b>	<b>(244 878)</b>	<b>(381 233)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(154 269)</b>	<b>1 524 041</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>279 563</b>	<b>833 329</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>125 294</b>	<b>2 357 370</b>

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

## 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 31 March 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 2019.

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.

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

**(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**

	<b>01.01.2021- 31.03.2021</b>	<b>01.01.2020- 31.03.2020</b>
	<b>EUR</b>	<b>EUR</b>
Production of alcoholic beverages	12 138 234	14 784 538
Sales of other goods and materials	208 273	30 789
Other services	954 344	1 077 859
	<b><u>13 300 851</u></b>	<b><u>15 893 186</u></b>

**c) Geographical segmentation**

	<b>01.01.2021- 31.03.2021</b>	<b>01.01.2020- 31.03.2020</b>
	<b>EUR</b>	<b>EUR</b>
Cyprus	6 837 027	9 171 547
Latvia	4 934 836	5 215 713
Lithuania	945 498	1 095 228
Estonia	161 866	201 657
Ukraine	97 120	32 312
Romania	56 489	44 228
Turkey	60 551	52 158
Other	207 464	80 343
	<b><u>13 300 851</u></b>	<b><u>15 893 186</u></b>

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

**(4) COST OF SALES**

	<b>01.01.2021- 31.03.2021 EUR</b>	<b>01.01.2020- 31.03.2020 EUR</b>
Raw materials and consumables	7 887 294	9 950 305
Salary expense	1 226 762	1 465 589
The state compulsory social insurance contributions	287 023	351 152
Depreciation of non-current assets	308 404	328 875
Energy resources	205 907	226 688
Repair and maintenance expenses	151 522	172 402
Management of packaging	127 472	129 000
Insurance payments	7 375	9 675
Laboratory expenses	5 983	7 860
Accrued expenses on unused annual leave	62 580	-20 681
Other costs	265 562	577 661
	<b><u>10 535 884</u></b>	<b><u>13 198 526</u></b>

**(5) DISTRIBUTION EXPENSES**

	<b>01.01.2021- 31.03.2021 EUR</b>	<b>01.01.2020- 31.03.2020 EUR</b>
Salary expenses	414 151	429 584
Advertising and sales promotion expenses	303 741	424 755
Depreciation of non-current assets	210 879	241 320
Transportation expenses	126 924	146 918
Warehouse maintenance expenses	125 785	121 993
The state compulsory social insurance contributions	97 521	103 022
Other expenses	136 780	126 531
	<b><u>1 415 781</u></b>	<b><u>1 594 123</u></b>

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

**(6) ADMINISTRATIVE EXPENSES**

	<b>01.01.2021- 31.03.2021</b>	<b>01.01.2020- 31.03.2020</b>
	<b>EUR</b>	<b>EUR</b>
Management services and expenses	481 026	493 910
Salary expenses	165 118	187 957
Depreciation of non-current assets	55 515	125 164
Computer maintenance	54 631	57 157
Financial support, sponsorship	2 204	-
The state compulsory social insurance contributions	37 982	44 260
Real estate tax	39 786	40 118
Professional service costs	19 491	24 820
Transport costs	7 062	9 085
Office expenses	2 074	4 597
Communication and postal expenses	4 087	3 998
Representation expenses	2 967	3 997
Bank commissions	7 381	2 416
Other expenses	71 627	127 263
	<u><b>950 951</b></u>	<u><b>1 124 742</b></u>

**(7) SUBSEQUENT EVENTS**

Since the date of signing of these condensed financial statements, there have been no subsequent events that would have a significant effect on the financial position of the Company as of 31 March 2021.