



AS LATVIJAS BALZAMS

**DEPENDENCY STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

AS Latvijas balzams
Dependency statement for the year ended 31 December 2020

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Information on the Dependent Company

Name of the Dependent Company	Latvijas balzams
Legal status of the Dependent Company	Joint stock company
Number, place and date of registration	Enterprise Register No 40003031873 Riga, 2 October 1991 Re-registered on 20 October 1998
	Commercial Register Riga, 19 June 2014
Address	A. Čaka Street 160 Riga, LV- 1012 Latvia
Financial year	1 January – 31 December 2020
Name and address of the auditor	PricewaterhouseCoopers SIA Licence No. 5 Kr. Valdemāra Street 21-21 Riga, LV-1010 Latvia
	Responsible certified auditor: Jana Smirnova Certified Auditor Certificate No. 188

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Statement by the Board

The Board of AS Latvijas balzams (also – the Company) hereby certifies that the Dependency Statement reflects all the transactions and other activities in which the Company engaged or from which it refrained, being a dependent company for the purposes of the Group of Companies Law, and that the said Statement provides a general idea of the relationship between AS Latvijas balzams and the controlling entity and companies grouped with the controlling entity.

In keeping with the circumstances of which the Board was aware at the time of entering into the transactions reflected in the Dependency Statement, the Company has received appropriate counter-performance for each transaction.

On behalf of the Board:



Intars Geidāns
Chairman of the Board
AS Latvijas balzams

30 April 2021

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Companies engaged in transactions or activities with the Company being under a decisive influence of the controlling entity

As a dependent company, AS Latvijas balzams entered into transactions with the following companies:

Company	Period of control	Relationship with the Dependent Company
SPI Group S.a r.l.	1 January - 31 December 2020	Controlling entity with indirect decisive influence through its dependent company Amber Beverage Group Holding S.a r.l. from 1 January, 2020 until 14 May 2020. From 14 May 2020 - a company grouped with the controlling entity
S.P.I. Group Holding Ltd	14 May - 31 December 2020	Controlling entity with indirect decisive influence through its dependent company Amber Beverage Group Holding S.a r.l.
Amber Beverage Group Holding S.a r.l.	1 January - 31 December 2020	A company grouped with the controlling entity
Amber Beverage Group SIA	1 January - 31 December 2020	A company grouped with the controlling entity
Amber Distribution Estonia OU	1 January - 31 December 2020	A company grouped with the controlling entity
Amber Distribution Latvia SIA	1 January - 31 December 2020	A company grouped with the controlling entity
Bennet Distributors UAB	1 January - 31 December 2020	A company grouped with the controlling entity
Amberbev International Ltd.	1 January - 31 December 2020	A company grouped with the controlling entity
Meierovica 35 SIA	1 January - 31 December 2020	A company grouped with the controlling entity
Permalko AO	1 January - 31 December 2020	A company grouped with the controlling entity
Propiedad de Arinzano SLU	1 January - 31 December 2020	A company grouped with the controlling entity
S.P.I. Spirits (Cyprus) Ltd.	1 January - 31 December 2020	A company grouped with the controlling entity
Stoli Group (USA) LLC	1 January - 31 December 2020	A company grouped with the controlling entity
Tambovskoje spirtovoe predpriятие Talvis AO	1 January - 31 December 2020	A company grouped with the controlling entity
Towers Construction Management AS	1 January - 31 December 2020	A company grouped with the controlling entity
Fabrica de Tequilas Finos S.A. de C.V.	1 January - 31 December 2020	A company grouped with the controlling entity
Cellar Trends Ltd	1 January - 31 December 2020	A company grouped with the controlling entity
Interbaltija AG AS	1 January - 31 December 2020	A company grouped with the controlling entity
Achaval Ferrer S.A.	1 January - 31 December 2020	A company grouped with the controlling entity
ZHS IP Worldwide S.à r.l.	1 January - 31 December 2020	A company grouped with the controlling entity
Remedia AS	1 January - 31 December 2020	A company grouped with the controlling entity
Think Spirits Pty Ltd.	1 January - 31 December 2020	A company grouped with the controlling entity
ABG Real Estate SIA	29 April - 31 December 2020	A company grouped with the controlling entity

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Transactions and activities performed by AS Latvijas balzams in dependency circumstances in the year 2020, which affect the profit and loss account for the reporting year

	Note	Performance EUR	Counter- performance EUR	Net result EUR
The Company's transactions with other group companies				
Sale of goods	1	60 215 575	(60 215 575)	-
Services provided	2	4 325 585	(4 325 585)	-
Interest income	3	2 212 476	(2 212 476)	-
Purchase of goods	4	(11 224 343)	11 224 343	-
Services received	5	(3 112 620)	3 112 620	-
Interest expenses	6	(18 282)	18 282	-
Total			<u><u> </u></u>	<u><u> </u></u> -

During the reporting year, the Company has not suffered any loss as a result of engaging in transactions or other activities with the controlling entity, other group companies or other companies in the interests of, or being encouraged by, the controlling entity or another company within the group, or as a result of refraining from such transactions or activities.

Accounting policies

(1) General principles

The Dependency Statement has been prepared in compliance with the Latvian Group of Companies Law. The terms 'controlling entity' and 'dependent company' and other terms used in this Statement have the same meaning as defined in the said legislation.

(2) Materiality

The Company has followed the principle of materiality in reflecting and valuing transactions and other activities in the Dependency Statement.

Transactions (activities), their circumstances and valuations, the non-inclusion of which in the Dependency Statement would affect the opinion of a competent user on the relationship of the Dependent Company with the controlling entity throughout the financial year, are considered material.

(3) Recording of transactions and activities

The Dependency Statement reflects transactions and other activities that are unprofitable for the Company to the extent of their actual performance and counter-performance.

The Dependency Statement reflects all transactions (performance and counter-performance) attributable to the reporting period, which affect the profit and loss account for the reporting year, irrespective of the dates that invoices are issued or received or payments are made. Transactions performed in prior years, which affect the profit and loss account of the reporting year, are reflected only if the performance was different from the counter-performance of these transactions at the date of the relevant transaction.

Transactions that do not affect the profit and loss account for the reporting year but are material or may affect profit and loss accounts for the next periods are described in the notes.

If the controlling entity has notified the Dependent Company in writing by the end of the financial year as to when and how all the losses resulting from an unprofitable transaction or activity will be compensated, the amount of compensation is reflected in the line 'Granted entitlement to compensation'.

(4) Performance and counter-performance

The Dependent Company's obligations pertaining to a transaction are considered the performance of the transaction. Counter-performance is the obligations of the party to the transaction other than the Dependent Company. Performance (counter-performance) can take the form of payment, supply of goods or services, including actions carried out as operational activities, transfers of intangible assets and title, commitments to refrain from any action or permit an action, lease of properties, etc.

Performance and counter-performance are reflected at their fair value. Fair value is the amount for which the subject matter of a transaction can be exchanged between knowledgeable willing parties on an arm's length basis.

(5) Determining fair value of transactions and activities

The Company's transactions and activities are valued:

- (1) based on their comparison with other transactions or activities of the kind carried out by the Company with non-related parties during the current or previous reporting year
- (2) where the above has been impossible, based on their comparison with other transactions or activities of the kind carried out by companies of the industry in the current or previous reporting year
- (3) where the above has been impossible, based on their comparison with other information on the possible valuation of transactions or activities

Accounting policies (continued)

(6) Fully or partly unprofitable transactions or activities

The following transactions or activities are considered fully or partly unprofitable:

- (1) where a loss is anticipated on commencement
- (2) which result in a gross loss
- (3) or in which the Company, if it were independent, would never engage due to the anticipated financial result

(7) Special risk

Transactions or activities related to special risk are those which materially differ in terms of risk from those typical of the Company's or industry's business and in which the Company would never engage if it were independent.

(8) Transactions and activities materially different from core business

Transactions and activities materially different from the Company's core business are those which drastically differ from the transactions and activities typical of the Company's core business and in which the Company would never engage if it were independent.

Notes regarding transactions and activities performed by AS Latvijas balzams in dependency circumstances in the year 2020, which affect the profit and loss account for the reporting year

The Company's transactions with other group companies

1. Sale of goods (EUR):

S.P.I. Spirits (Cyprus) Ltd.	30 491 532
Amber Distribution Latvia SIA*	20 801 336
Amberbev International Ltd.	4 617 564
Bennet Distributors UAB	3 503 791
Amber Distribution Estonia OU	552 473
Remedia AS	248 879

* The value of the transactions is exclusive of excise duty

2. Services provided (EUR):

S.P.I. Spirits (Cyprus) Ltd.	1 922 111
Amber Distribution Latvia SIA	1 658 976
Interbaltija AG AS	271 182
ABG Real Estate SIA	201 968
Towers Construction Management AS	130 032
Amber Beverage Group SIA	89 142
Amberbev International Ltd.	31 781
Fabrica de Tequilas Finos S.A. de C.V.	7 489
Bennet Distributors UAB	3 607
Achaval Ferrer S.A.	3 169
Think Spirits Pty	3 051
Meierovica 35 SIA	1 173
Amber Distribution Estonia OU	764
Cellar Trends Ltd	687
Remedia AS	453

3. Interest income (EUR):

Amber Beverage Group Holding S.a r.l.	1 308 690
S.P.I. Spirits (Cyprus) Ltd.	761 253
Amber Distribution Latvia SIA	142 533

In the reporting year, interest was charged for a non-current receivable due from SIA Amber Distribution Latvia, under a loan agreement signed with Amber Beverage Group Holding S.a r.l. and for guarantees issued to credit institutions to secure the liabilities of SIA Amber Beverage Group Holding S.a r.l. and S.P.I. Spirits (Cyprus) Ltd.

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The Company's transactions with other group companies (continued)

4. Purchase of goods (EUR):

Tambovskoe spirtovoe predpriyatie Talvis AO	7 641 345
S.P.I. Spirits (Cyprus) Ltd.	2 108 063
Fabrica de Tequilas Finos S.A. de C.V.	781 711
Achaval Ferrer S.A.	333 590
Amber Distribution Latvia SIA	167 048
Remedia AS	110 713
Bennet Distributors UAB	52 920
Propiedad de Arinzano SLU	28 512
Permalko AO	441

5. Services received (EUR):

Amber Beverage Group SIA	2 488 857
Amberbev International Ltd.	243 032
Amber Beverage Group Holding S.a r.l.	134 740
Fabrica de Tequilas Finos S.A. de C.V.	117 866
S.P.I. Spirits (Cyprus) Ltd.	52 679
Amber Distribution Latvia SIA	32 462
Cellar Trends Ltd	24 136
Bennet Distributors UAB	10 124
Amber Distribution Estonia OU	6 187
Think Spirits Pty Ltd.	2 534
Interbaltija AG AS	3

6. Interest expenses (EUR):

Amber Beverage Group Holding S.a. r.l	18 282
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In the reporting year, interest was charged for guarantees to credit institutions granted by Amber Beverage Group Holding S.a r.l.

Notes regarding transactions and activities performed by AS Latvijas balzams in dependency circumstances in the year 2020, which do not affect the profit and loss account for the reporting year

1. Guarantees issued

The Company together with other Group companies have provided security for liabilities of the parent company Amber Beverage Group Holding S.à r.l. towards AS Luminor Bank Latvian branch under an overdraft agreement of 19 December 2018, with the maximum overdraft limit amounting to EUR 22.7 million. A pledge on the Company's movable properties, a mortgage on most of the Company's real estate and a guarantee have been registered as security. During year 2020 the agreement was prolonged several times and the actual security will be valid till the complete settlement of the liabilities under the agreement by 31 January 2022.

The Company has issued a guarantee to AS Luminor Bank Latvian branch for securing liabilities of its related company S.P.I. Spirits (Cyprus) Ltd., which arose out of the overdraft agreement signed in July 2007 and extension amendments thereto. In January 2019, the initial amount of the agreement was converted from the US dollar to the euro and now is fixed as EUR 13.27 million. The guarantee will be valid till the complete settlement of the liabilities until 31 January 2022.

The Company together with other Group companies has provided security for liabilities of the parent company Amber Beverage Group Holding S.à r.l. towards AS Luminor Bank Latvian branch regarding the financing of the purchase of Fabrica de Tequilas Finos S.A. de C.V., which is a tequila manufacturing company in Mexico, which arise out of a novation agreement signed on 19 December 2018. The security comprises a commercial pledge on the Company's movable properties, a mortgage on most of the Company's real estate and a guarantee. The maximum secured limit is EUR 9.2 million. The security will be valid till the complete settlement of the liabilities under the agreement by 31 December 2023.

On 27 April 2018, the Company's parent company Amber Beverage Group Holding S.à r.l. signed a loan agreement with AS Luminor Bank Latvian branch to finance the purchase of Think Spirits Pty Ltd, which is an Australian spirits wholesaler. The loan amounts to EUR 3.6 million and matures on 30 April 2023. The Company together with other Group companies have provided security for liabilities arising out of this agreement, which comprises a commercial pledge on the Company's movable properties, a mortgage on most of the Company's real estate and a guarantee.

As a result of the refinancing of the Group's liabilities s, on 3 December 2019 the Company's parent company Amber Beverage Group Holding S.à r.l. signed an agreement with Credit Suisse AG on a loan of EUR 27 million. Security for the liabilities under the loan agreement was provided by several Group companies, including the Company, which granted a commercial pledge on movable properties and a mortgage on most of its real estate. The security volume wasn't changed and it will be valid till the complete settlement of the liabilities under the agreement by 3 December 2021.

Interest rates for the issued guarantees vary from 0.34% to 6.3% depending on the number of guarantors securing respective loans. If loans are guaranteed by multiple parties, the interest rate is calculated on a proportionate basis, depending on the value of the assets of the guarantors.

Taking into account the financial position of the Group companies, it is not expected that the Company will be required to execute the guarantees; accordingly, no provisions have been recognized for these contingent liabilities in the financial statements.

The most of the Company's movable properties and real estate have been pledged in favour to Credit Suisse AG as security for the loan obtained at the Group level. According to agreements, the Company receives remuneration from the parent for the collateral provided as a percentage of the total collateral value



Translation from Latvian original*

Review report on special purpose financial information

To the Board of AS Latvijas balzams

Introduction

We have reviewed the accompanying dependency statement on pages 5 to 11 of AS Latvijas balzams for 2020. This special purpose dependency statement is prepared solely to comply with the requirements of the Groups Act of the Republic of Latvia and is the responsibility of the Company's Board. Our responsibility is to express a conclusion on this dependency statement based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review of Latvijas balzams AS dependency statement for 2020, no circumstances or facts have come to our attention, that would cause us to believe that in all material aspects:

- factual information included in the dependency statement is not fairly presented;
- the performance value of transactions conducted by the Company and included in the dependency statement is disproportionately high; and
- the measures reported in the dependency statement should be assessed differently, based on methods stated in the dependency statement, than the Company Board's evaluation.

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

Jana Smirnova
Certified auditor in charge
Certificate No. 188
Member of the Board

Riga, Latvia
30 April 2021

* This version of our report is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.