



AS AMBER LATVIJAS BALZAMS

(Registration number 40003031873)

UNAUDITED CONDENSED FINANCIAL STATEMENTS

for year 2023

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

AS Amber Latvijas balzams
Unaudited condensed financial statements
for year 2023

INFORMATION ON THE COMPANY

Name of the Company	Amber 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 is operating 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.

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 direct export route.

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

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 core principles of corporate social responsibility. These have been harmonized with the United Nations Sustainable Development Goals for 2030, 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

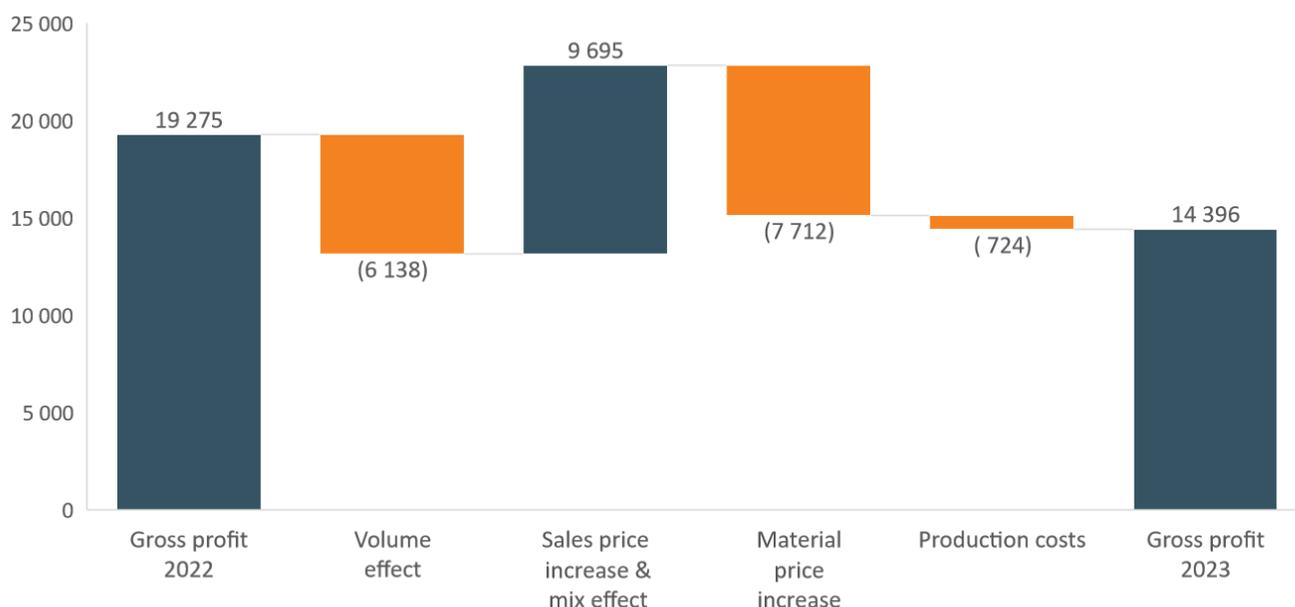
Financial performance

The Company's unaudited net turnover in 2023 reached 97.9 million euros, which is 9.4% less than in the corresponding period in 2022. Total sales volumes (in 9-liter cases) in 2023 were 18.4% less than in the corresponding period in 2022. A decrease in turnover is related to global trends in the reduction of working capital of wholesalers and importers in the context of rising inflation, as well as strategic decisions made by Stoli Group regarding the rebranding of Stoli products, affecting order volume.

	01.01.2023- 31.12.2023	01.01.2022- 31.12.2022
	9Lcs	9Lcs
Sales volume, in 9-liter cases	4 560 336	5 589 164

REPORT OF THE MANAGEMENT (continued)

The gross profit in the reporting period was 14.4 million euros, which is a decrease of 4.9 million euros compared to the corresponding period in 2022. The gross profit indicator was affected both by the drop in sales volume and also by a significant increase in the costs of raw materials as well as costs related to production, which had a direct impact on the Company's results. The negative cost trends were observed starting in the second half of 2022 and therefore only partially affected the comparative indicators.



The main sources of influence of the increase in production-related costs are energy costs, which have increased by 409 thousand euros as a result of rapid price fluctuations, as well as energy price crisis bonuses granted to employees (as a support to employees, in the heating season of 2022/2023, the Company granted some employees a monthly additional payment of EUR 75).

The operating profit for the year 2023 is 4.1 million euros (2022: profit of 6.4 million euros). The ratio of operating profit to turnover in the reporting period of 2023 is 4.3% (2022: 5.9%), 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 profit for the reporting period is 5.2 million euros, which is a significant decrease compared to the corresponding period in 2022. The company's management believes that the financial situation and profitability will improve in the future, taking into account the fixed price contracts for the purchase of energy resources switched in 2023, which provide for significantly lower resource prices, positive trends in sales volume dynamics in export markets, as well as the main raw materials (ethyl alcohol, glass bottles, cardboard packaging, etc.) gradual reduction of costs.

Taking into account the drop in production volumes and the overall decrease in profitability, the Company has taken a series of measures to promote the efficiency of production processes and reduce costs:

- By the middle of the year, a 30% improvement in the utilization efficiency (OEE) of the finished product filling equipment had been achieved.
- Completed several investment projects (such as an automated line for filling Stoli Elit vodka and purchased palletizing equipment), which allows not only to increase production capacity but also to reduce labour costs per unit of production.
- Switched fixed-price contracts for the purchase of energy resources.
- Adaptation of workforce resources and other costs to current production volumes has been carried out.

AS Amber Latvijas balzams
Unaudited condensed financial statements
for year 2023

REPORT OF THE MANAGEMENT (continued)

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:

	31.12.2023	31.12.2022	31.12.2021
ROA*	2.6%	3.4%	5.1%
ROE**	3.7%	4.5%	6.4%

* 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%

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

	01.01.2023- 31.12.2023	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021
	EUR 000	EUR 000	EUR 000
EBITDA*	6 583	8 504	9 747
EBIT **	4 162	6 382	7 375

* 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 taxpayers in Latvia. During the reporting period, the Company paid taxes of EUR 69.3 million to the state budget, including excise tax amounting to EUR 56.4 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*), and quality. RFT shows the share of products manufactured right on the first time. In 2023, this indicator reached 94.9%, which shows a slight improvement compared to the same indicator in 2022 (94.5%). The OTIF indicator indicates the Company's ability to fulfil customer orders within the specified time and volume. The corresponding indicator reached 95% in 2023, which, compared to the 2022 indicator of 94.9%, is also a slight improvement.

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.

REPORT OF THE MANAGEMENT (continued)

Risk assessment and management

When evaluating external and internal environmental factors that may affect the Company's operation and production processes, the Company's management pays increased attention to the following aspects:

- The timely identification and compliance with statutory requirements by taking into account timely information and education of staff.
- Ensuring 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.

Stock and fund market

During the year 2023, the Company's share price fluctuated from EUR 8.80 to EUR 10.20 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
2023	9.58	8.80	10.20
2022	10.00	8.93	11.98
2021	11.80	8.97	11.30

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 that 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 with 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 December 2023, the Company's current assets exceeded its current liabilities by EUR 94.65 million (on 31.12.2022 by EUR 89.05 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*	2.61	2.70	4.56
Quick ratio**	2.01	2.08	3.83

* 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 condensed financial statements and the 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 2023.

Future prospects of Company

The Company continues to increase production efficiency, emphasizing the reduction of production costs and the increase of production efficiency, and also works on increasing sales prices, thereby improving the Company's profitability.

Intars Geidāns
Chairman of the Board
Riga, 29 February 2024

STATEMENT OF THE MANAGERMENTS' 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, 29 February 2024

AS Amber Latvijas balzams
Unaudited condensed financial statements
for year 2023

INCOME STATEMENT

	Notes	01.01.2023- 31.12.2023 EUR	01.01.2022- 31.12.2022 EUR
Revenue	3	97 920 181	108 128 898
Cost of sales	4	(83 524 427)	(88 854 294)
Gross profit		14 395 754	19 274 604
Distribution expenses	5	(7 473 493)	(8 478 993)
Administrative expenses	6	(5 009 490)	(4 468 728)
Other operating income		3 031 751	689 188
Other operating expenses		(782 679)	(633 942)
Operating profit/ (loss)		4 161 843	6 382 129
Net finance income/ (costs)	7	1 003 106	(50 007)
Profit/ (loss) before tax		5 164 949	6 332 122
Net profit/ (loss)		5 164 949	6 332 122

STATEMENT OF COMPREHENSIVE INCOME

	01.01.2023- 31.12.2023 EUR	01.01.2022- 31.12.2022 EUR
Net profit	5 164 949	6 332 122
Total comprehensive income for the period	5 164 949	6 332 122

AS Amber Latvijas balzams
Unaudited condensed financial statements
for year 2023

STATEMENT OF FINANCIAL POSITION

	31.12.2023	31.12.2022
	EUR	EUR
ASSETS		
Non-current assets		
Intangible assets	303 488	360 940
Property, plant and equipment	12 560 544	15 236 211
Right-of-use assets	3 720 564	1 766 606
Loans to group companies	31 787 497	33 730 915
Other non current assets	159 944	1 352 901
Total non-current assets:	48 532 037	52 447 573
Current assets		
Inventories	35 014 511	31 939 822
Trade receivables	5 530 449	2 049 260
Receivables from group companies	64 898 674	60 108 353
Loans to group companies within the Group account	47 140 912	46 433 065
Other current assets	567 073	719 222
Cash and cash equivalents	110 519	150 931
Total current assets:	153 262 138	141 400 653
<u>Total assets</u>	<u>201 794 175</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	128 375 717	127 708 909
Total equity:	141 278 087	140 611 279
Liabilities		
Non-current liabilities		
Borrowings	1 903 137	887 555
Total non-current liabilities:	1 903 137	887 555
Current liabilities		
Borrowings	1 245 285	1 222 189
Trade payables	15 506 787	15 897 558
Payables to group companies	4 413 522	4 848 742
Taxes payable	35 154 963	27 409 203
Other liabilities	2 292 394	2 971 700
Total current liabilities:	58 612 951	52 349 392
Total liabilities:	60 516 088	53 236 947
<u>Total equity and liabilities</u>	<u>201 794 175</u>	<u>193 848 226</u>

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Chairman of the Board
Riga, 29 February 2024

AS Amber Latvijas balzams
Unaudited condensed financial statements
for year 2023

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	125 874 927	138 777 297
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	127 708 909	140 611 279
Net profit	-	-	-	5 164 949	5 164 949
Total comprehensive income	-	-	-	5 164 949	145 776 228
Dividends	-	-	-	(4 498 140)	(4 498 140)
31.12.2023.	10 495 660	87 887	2 318 823	128 375 717	141 278 087

AS Amber Latvijas balzams
Unaudited condensed financial statements
for year 2023

CASH FLOW STATEMENT

	01.01.2023- 31.12.2023	01.01.2022- 31.12.2022
	EUR	EUR
Cash flow from operating activities		
Profit for the period before taxation	5 164 949	6 332 122
<u>Adjustments for:</u>		
Depreciation and amortisation	2 421 408	2 122 180
Net (profit) lon sales and disposal of property, plant and equipment, investment property and intangibles	(2 031 677)	(1 135)
Accruals	(114 842)	55 401
Interest income	(1 285 158)	(1 324 323)
Interest expense	226 299	74 911
<u>Changes in working capital:</u>		
(Increase) / decrease in inventories	(2 959 847)	(7 086 330)
Decrease in trade and other receivables	(2 926 404)	2 575 813
Increase / (decrease) in trade and other payables	6 965 250	17 390 626
Net cash generated from operating activities	5 459 978	20 139 265
Cash flow from investing activities		
Acquisition of property, plant and equipment and intangible assets	(2 187 053)	(2 928 096)
Proceeds from sales of property, plant and equipment	328	7 473
Received incomes from borrowings	1 943 418	4 047 876
Interest received	1 196 190	1 274 955
Changes in credit lines (net)	(618 880)	(16 866 210)
Net cash flow (used in) / generated from investing activities	334 003	(14 464 002)
Cash flow from financing activities		
Borrowings repaid	(310 704)	(310 704)
Lease payments	(744 898)	(725 791)
Interest paid	(280 651)	(78 606)
Payment of dividends	(4 498 140)	(4 498 140)
Net cash flow used in financing activities	(5 834 393)	(5 613 241)
Net increase in cash and cash equivalents	(40 412)	62 022
Cash and cash equivalents at the beginning of the period	150 931	88 909
Cash and cash equivalents at the end of the period	110 519	150 931

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 2022, it has been under the name AS Amber Latvijas balzams. The registered address of the Company is 160 Aleksandra Caka Street, Riga, LV-1012, Latvia. Shares of AS Amber Latvijas balzams are listed on the Baltic Secondary List of Nasdaq Riga (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 December 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 2023 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 2023.

To ensure proper comparison of financial information in the report, some items from the 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 the central banks of the European System of Central Banks and other central banks, which is 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. In the event that the European Central Bank does not determine the rate for a specific foreign currency, the rate published by the national bank on the last day of the reporting period, or another reference rate determined by a third party is used to revalue such assets and liabilities.

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.

	31.12.2023.	Average 2023	31.12.2022.	Average 2022
	EUR	EUR	EUR	EUR
1 USD	0,9050	0,9248	0,9376	0,9496
1 GBP	1,1507	1,1497	1,1275	1,1727
1 RUB	0,0101	0,0108	0,0132	0,0139

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- 31.12.2023	01.01.2022- 31.12.2022
	EUR	EUR
Production of alcoholic beverages	90 660 798	100 624 546
Sales of other goods and materials	1 261 470	2 248 010
Other services	5 997 913	5 256 342
	<u>97 920 181</u>	<u>108 128 898</u>

c) Revenue by geography (by customer)

	01.01.2023- 31.12.2023	01.01.2022- 31.12.2022
	EUR	EUR
Cyprus	52 346 040	63 263 571
Latvia	30 600 699	31 277 962
Lithuania	5 898 691	4 948 195
Germany	2 031 475	2 205 371
Sweden	434 033	490 936
Estonia	1 489 550	1 164 086
Romania	741 305	613 682
Turkey	1 194 886	654 922
Ukraine	462 353	282 738
Finland	184 388	113 109
Norway	238 669	164 243
Brazil	212 900	153 495
Other	2 085 191	2 796 588
	<u>97 920 181</u>	<u>108 128 898</u>

AS Amber Latvijas balzams
Unaudited condensed financial statements
for year 2023

NOTES (continued)

(4) COST OF SALES

	01.01.2023- 31.12.2023	01.01.2022- 31.12.2022
	EUR	EUR
Raw materials and consumables	68 731 880	74 785 712
Salary expense	6 549 851	6 651 189
The state compulsory social insurance contributions	1 537 543	1 560 379
Depreciation of non-current assets	1 441 302	1 164 604
Energy resources	1 911 561	1 502 878
Repair and maintenance expenses	750 726	703 846
Management of packaging	1 175 963	767 144
Insurance payments	38 909	28 664
Laboratory expenses	38 210	28 880
Accrued expenses on unused annual leave	(168 771)	59 053
Other costs	1 517 253	1 601 945
	<u>83 524 427</u>	<u>88 854 294</u>

(5) DISTRIBUTION EXPENSES

	01.01.2023- 31.12.2023	01.01.2022- 31.12.2022
	EUR	EUR
Salary expenses	2 138 804	2 142 197
Advertising and sales promotion expenses	1 940 679	2 660 195
Depreciation of non-current assets	906 711	880 848
Transportation expenses	715 343	876 430
Warehouse maintenance expenses	669 379	673 340
The state compulsory social insurance contributions	503 686	499 610
Other expenses	598 891	746 373
	<u>7 473 493</u>	<u>8 478 993</u>

AS Amber Latvijas balzams
Unaudited condensed financial statements
for year 2023

NOTES (continued)

(6) ADMINISTRATIVE EXPENSES

	01.01.2023- 31.12.2023		01.01.2022- 31.12.2022
	EUR		EUR
Management services and expenses	3 029 904		2 766 149
Salary expenses	738 587		761 769
Depreciation of non-current assets	73 395		76 728
Computer maintenance	257 990		229 655
Financial support, sponsorship	4 000		12 500
The state compulsory social insurance contributions	155 749		117 259
Real estate tax	150 639		150 639
Professional service costs	112 107		108 718
Transport costs	41 138		34 134
Office expenses	18 694		11 295
Communication and postal expenses	9 032		12 105
Representation expenses	25 442		23 780
Bank commissions	19 072		8 651
Other expenses	373 741		155 346
	<u>5 009 490</u>		<u>4 468 728</u>

(7) NET FINANCE INCOME/ (COSTS)

	01.01.2023- 31.12.2023		01.01.2022- 31.12.2022
	EUR		EUR
Finance income			
Interest income related parties	1 285 158		1 324 323
Foreign exchange gain, net	-		-
Total finance income	<u>1 285 158</u>		<u>1 324 323</u>
Finance costs			
Interest expense	226 299		74 067
Interest expense to related parties	-		844
Foreign exchange loss, net	55 753		1 299 419
Total finance costs	<u>282 052</u>		<u>1 374 330</u>
Net finance income / (costs)	<u>1 003 106</u>		<u>(50 007)</u>

(8) SUBSEQUENT EVENTS

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