AS “LATVIJAS BALZAMS”
(Registration number 40003031873)

CONDENSED FINANCIAL STATEMENTS (NOT AUDITED)
for the first 6 months of 2017

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

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 Nr. 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
Main business activities	Production of alcoholic beverages NACE2 11.01
Parent company	SIA "Amber Beverage Group" (89.99%)
Names and positions of the Council members:	Rolands Gulbis – Chairman of the Council Oļegs Alainis – Vice Chairman of the Council Sergejs Ļimarenko – Member of the Council Pjotr Aven – Member of the Council Valizhan Abidov – Member of the Council
Names and positions of the Board members:	Intars Geidāns – Chairman of the Board (from 03.03.2016.) Ronalds Žarinovs – Member of the Board Jekaterina Stuģe – Member of the Board Seymour Paul Ferreira – Chairman of the Board (from 01.09.2015. until 02.03.2016.) Intars Geidāns – Member of the Board (until 02.03.2016.)

REPORT OF THE MANAGEMENT

Type of operations

The Company was established in 1900 as the Riga`s first state alcohol warehouse and operates under the current name since 1970. Due to SPI Group internal reorganization the major shareholder of Latvijas balzams AS from October 2014 is Amber Beverage Group SIA, which owns 89.99% of the Company's equity capital.

Nowadays Latvijas balzams operates two alcohol production facilities in Riga – production plant for strong alcohol beverages and a production plant for sparkling wines and light alcohol beverages. We use ingredients from around the world and have retained our traditional beverage production technologies. The recipes for some of our signature products date back hundreds of years, for example the recipe o Riga Black Balsam is rotated back in 1752, but our renown Moskovskaya Vodka dates back to the end of the 19th century.

The company keeps the leading presence in all key spirits segments, as well as in sparkling wines, ciders, and RTDs, in the Baltic region. The newest generation of spirits, including Riga Black Vodka and Amber Gold Vodka, are produced using innovative filtration technologies that results in particular character profiles for beverage connoisseurs.

We are proud for our ability to produce high quality liquids consistently, and develop new products driven by consumer insights. On the same time we are able to maintain high-quality international standards required by SPI Group, so that sales of Stolichnaya are possible around the world, including sales to Japan.

Latvijas balzams AS is the largest producer of alcoholic beverages in the Baltic States with a range of more than 100 different brands. Our products are exported to more than 170 export markets as mediated by SPI Group, and to 42 markets via the Company`s direct export route.

The Company`s Activity in the first half of 2017

The unaudited turnover of the Company in the first half of 2017 reached 36 million euro, which is 3.1% more than in the first half of Year 2016. Increase in turnover was mainly achieved by increase of orders from our biggest Private Label customer SPI Cyprus, although the overall profitability level is lower than selling Latvijas Balzams brands. Additional positive effect on turnover come from increased level of warehouse and logistics services provided to both 3rd part and Group companies.

From beginning of 2016, the Company is providing a number of warehouse and logistics services, mostly to beverage companies – like transit assurance services, bonded warehouse services, 3-rd party logistic services, value added services, picking, etc. Actions taken, has allowed to utilize the available resources and assets in more efficient way. Latvijas balzams AS has been performing as European hub for group distributed brands in Europe, including Scandinavia and Russia (KAH, Bayou, Arinzano, Achaval Ferrer).

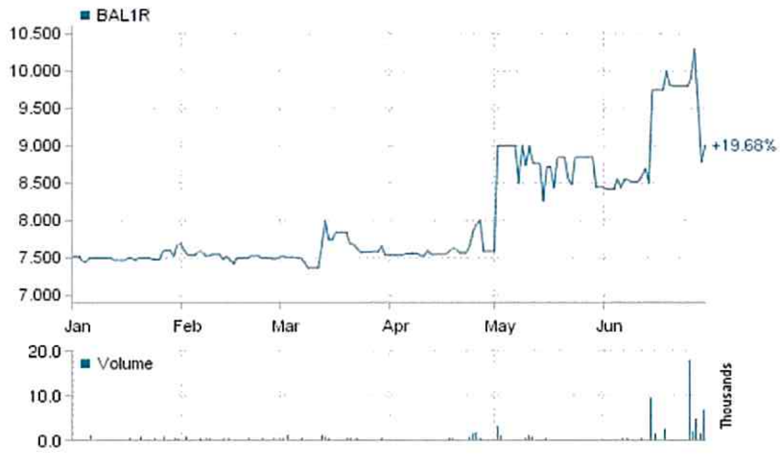
The unaudited profit for the reporting period reached 2.52 million euro that represents 13% decrease versus the first half of 2016, mainly due to the fact that 2016 numbers include income from one–off transactions like compensation received from insurance company for fire case in 2014 in amount of 280 thousand EUR and profit from sale of real estate in amount of 594 thousand EUR.

Latvijas balzams AS is the leading producer of alcoholic beverages in Latvia, as well as one of the largest local taxpayers. During the reporting period, the Company paid 26.9 million euro to the state budget, including excise tax, amounting to 21 million euro.

REPORT OF THE MANAGEMENT (continued)

Share market

In the first half of 2017 the Company`s share price fluctuated from 7.37 to 10.40 euro.



Financial risk management

The Company's activities expose it to a variety of financial risks, including the credit risk, liquidity risk and risk of changing interest rates. The Company's management seeks to minimise potential adverse effects of financial risk on the financial performance of the Company.

The Company's borrowings have variable interest rates. The management of the Company considers possibilities to apply risk hedging instruments in order to minimise the effect of variable interest rates.

The financial assets, which potentially expose the Company to a certain degree of credit risk concentration are primarily cash, trade receivables, receivables from Group companies and loans. The Company's policy provides that the goods are sold and services provided to customers with appropriate credit history. For the bank transactions only the local and foreign financial institutions with appropriate ranking is accepted.

The Company pursues a prudent liquidity risk management maintaining sufficient credit resources that allow settling liabilities when they fall due. The management of the Company manages the liquidity and cash flow risk by maintaining adequate cash reserves and securing sufficient financing, by using borrowings, overdrafts, financial leases as well as by monitoring forecasted and actual cash flows and by matching term structure of financial assets and liabilities. The Company's current assets exceeded its current liabilities by 45.7 million euro (31.12.2016. – 39.2 million euro). The Company has a strong ability to meet its short-term obligations.

REPORT OF THE MANAGEMENT (continued)

Future prospects

In 2017 the Company will keep focusing on investment opportunities in existing and new export markets with strong growth potential and accelerating sales. We'll keep the strong focus on our core brands - Riga Black Balsam and Cosmopolitan Diva - investing into international recognition, brand equity and increasing market share.

The Company will also continue to improve the efficiency of production with focus on purchasing, planning and infrastructure improvements to support our goal - to deliver quality products with a competitive cost advantage.

Also Company has developed large-scale plant modernization and reconstruction project with aim to merge both production plants into one territory. Project will allow to improve company`s competitive positions among the region producers by decreasing labour, logistics and production costs. Total costs of project are estimated at amount of 23 million euro. Application for project CIT discount has been submitted to Ministry of Economics and technical project works are currently going on. After finalizing those two phases shareholders will be introduced to Project in details to obtain their final approval on investment.

Latvijas balsams AS is an active member of Latvian Alcohol Industry Association and cooperates with core non-governmental organizations, representing the interests of industry in any dialogue with legislators and law enforcement institutions. The Company supports development of well - considered industry policy in Latvia and promotes responsible consumption and public education on these issues, as well as continues to combat the illegal production and distribution of non-commercial alcohol.

Intars Geidāns
Chairman of the Board

Riga, 31 August, 2017

STATEMENT OF THE MANAGEMENTS' RESPONSIBILITY

Management of the Company declares that in accordance with the information in their possession, the condensed financial statements presented were prepared under actual laws and regulations and represent truthful and clear information on company assets, equity, liabilities, financial situation and profit or loss.

The Management Report contains truthful information.

Intars Geidāns
Chairman of the Board

Riga, 31 August, 2017

INCOME STATEMENT

	Notes	01.01.2017-30.06.2017 EUR	01.01.2016-30.06.2016 EUR
Revenue	1	35 993 827	34 903 027
Cost of sales	2	(29 186 953)	(27 818 224)
Gross profit		**6 806 874**	**7 084 803**
Distribution expenses	3	(2 684 562)	(2 724 987)
Administrative expenses	4	(2 144 765)	(2 141 233)
Other operating income		526 646	1 100 698
Other operating expenses		(184 306)	(218 900)
Finance income		785 224	688 297
Finance expenses		(137 436)	(203 752)
Profit before tax		**2 967 675**	**3 584 926**
Corporate income tax		(445 151)	(681 136)
Net profit		**2 522 524**	**2 903 790**

STATEMENT OF FINANCIAL POSITION

	30.06.2017 EUR	31.12.2016 EUR
ASSETS		
Non-current assets		
Intangible assets	489 908	550 874
Property, plant and equipment	12 740 459	11 636 504
Investment property	674 021	683 737
Loans to group companies	43 236 982	47 236 983
Other non current assets	525 269	897 990
Total non-current assets:	**57 666 639**	**61 006 088**
Current assets		
Inventories	20 739 977	20 842 781
Trade receivables	670 940	908 697
Receivables from group companies	52 069 133	42 543 946
Other current assets	613 878	430 534
Corporate income tax	128 407	573 558
Cash and cash equivalents	16 835	2 677 315
Total current assets:	**74 239 170**	**67 976 831**
Total assets	**131 905 809**	**128 982 919**
EQUITY AND LIABILITIES		
Equity		
Share capital	10 495 660	10 495 660
Share premium	87 887	87 887
Revalution reserves of derivative financial instruments	(43 476)	(43 476)
Reserves	2 318 823	2 318 823
Retained earnings	85 740 994	83 218 470
Total equity:	**98 599 888**	**96 077 364**
Liabilities		
Non-current liabilities		
Borrowings	3 703 583	3 120 364
Deferred income tax liabilities	995 073	995 073
Derivative financial instruments	51 148	51 148
Total non-current liabilities:	**4 749 804**	**4 166 585**
Current liabilities		
Borrowings	6 443 545	7 945 159
Trade payables	5 415 364	4 653 523
Payables to group companies	2 092 050	1 629 720
Other liabilities	14 605 158	14 510 568
Total current liabilities:	**28 556 117**	**28 738 970**
Total liabilities:	**33 305 921**	**32 905 555**
Total equity and liabilities	**131 905 809**	**128 982 919**

Intars Geidāns
Chairman of the Board

Riga, 31 August, 2017

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Reserves	Revalution reserves of derivative financial instruments	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR
31.12.2015.	**10 495 660**	**87 887**	**(2 992 951)**	**(69 951)**	**75 709 904**	**83 230 549**
Net profit	-	-	-	-	2 903 790	2 903 790
Total comprehensive income	-	-	-	-	2 903 790	2 903 790
30.06.2016.	**10 495 660**	**87 887**	**(2 992 951)**	**(69 951)**	**78 613 694**	**86 134 339**
31.12.2016.	**10 495 660**	**87 887**	**2 318 823**	**(43 476)**	**83 218 470**	**96 077 364**
Net profit	-	-	-	-	2 522 524	2 522 524
Total comprehensive income	-	-	-	-	2 522 524	2 522 524
30.06.2017.	**10 495 660**	**87 887**	**2 318 823**	**(43 476)**	**85 740 994**	**98 599 888**

CASH FLOW STATEMENT

	01.01.2017-30.06.2017 EUR	01.01.2016-30.06.2016 EUR
Cash flow from operating activities		
Profit for the period before taxation from continuing operations	2 967 675	3 399 418
Adjustments for:		
Deprecition and amortisation	728 007	652 338
Net profit on sales and disposal of fixed assets and intangibles	(7 603)	(531 706)
Provisions	(959 366)	118 316
Interest income	(785 224)	(688 297)
Interest expense	137 436	203 752
Changes in working capital:		
(Increase) / Decrease in inventories	1 062 170	(4 531 431)
(Increase) / Decrease in trade and other receivables	(6 898 053)	5 374 123
Increase / (Decrease) in trade and other payables	2 097 397	(2 840 710)
Cash generated from operations	**(1 657 561)**	**1 155 803**
Interest paid	(130 848)	(206 196)
Corporate income tax paid	-	(619 055)
Net cash generated by operating activities	**(1 788 409)**	**330 552**
Cash flow from investing activities		
Acquisition of property, plant and equipment and intangible assets	(1 761 794)	(1 335 104)
Proceeds from sales of property, plant and equipment	8 117	670 253
Loans repayment received	1 800 001	4 750 001
Changes in credti lines (net)	699 836	(3 316 390)
Net cash flow generated from investing activities	**746 160**	**768 760**
Cash flow from financing activities		
Borrowings received	-	346 441
Borrowings repaid	(1 463 224)	(1 463 224)
Finance leas payments	(155 007)	(154 444)
Net cash flow generated from financing activities	**(1 618 231)**	**(1 271 227)**
Net increase / (decrease) in cash and cash equivalents	**(2 660 480)**	**(171 915)**
Cash and cash equivalents at the beginnging of the period	**2 677 315**	**24 471**
Cash and cash equivalents at the end of the period	**16 835**	**(147 444)**

NOTES

(1) Revenue

	01.01.2017-30.06.2017 EUR	01.01.2016-30.06.2016 EUR
Sales of alcoholic drinks	32 168 489	31 207 502
Sales of other goods and materials	1 633 061	1 746 047
Other services	2 192 277	1 949 478
	35 993 827	**34 903 027**

In 2016 we centralized Latvian logistic and warehousing services under Latvijas Balzams AS roof that allow more efficient and flexible loading in addition to improvements in inventory management and it is major driver for increase in revenue amount achieved in Other services.

(2) Cost of sales

	01.01.2017-30.06.2017 EUR	01.01.2016-30.06.2016 EUR
Row materials and consumables	21 039 480	21 037 701
Changes of inventory value of finished goods	1 253 413	(352 863)
Salary expense	2 516 103	2 363 659
Goods purchased	1 584 154	1 777 952
Mandatory state social insurance contributions	585 902	548 425
Depreciation of non-current assets	435 784	447 504
Energy resources	401 673	409 754
Repair and maintenance expenses	283 559	395 725
Management of packaging	160 697	172 279
Insurance payments	26 135	27 230
Laboratory expenses	13 113	15 967
Accrued expenses on unused annual leave	88 087	64 801
Other costs	798 853	910 090
	29 186 953	**27 818 224**

(3) Distribution expenses

	01.01.2017-30.06.2017 EUR	01.01.2016-30.06.2016 EUR
Advertising and sales promotion expenses	356 345	415 863
Salary expenses	878 268	856 023
Transportation expenses	316 556	335 195
Warehouse maintenance expenses	493 399	511 216
Mandatory state social insurance contributions	206 099	200 616
Depreciation of non-current assets	177 427	105 203
Accrued expenses on unused annual leave	11 461	25 464
Other expenses	245 007	275 407
	2 684 562	**2 724 987**

(4) Administrative expenses

	01.01.2017-30.06.2017 EUR	01.01.2016-30.06.2016 EUR
Management services and expenses	1 067 437	958 649
Salary expenses	306 407	396 445
Depreciation of non-current assets	154 266	136 749
Mandatory state social insurance contributions	70 696	68 450
Real estate tax	80 154	85 872
Professional service costs	45 812	42 443
Communication and postal expenses	12 944	42 371
Bank commissions	6 899	8 883
Computer maintenance	94 824	28 233
Business trip expenses	9 069	18 325
Office expenses	31 337	32 592
Transport costs	26 840	26 879
Representation expenses	11 195	8 888
Financial support, sponsorship	2 006	1 501
Other expenses	224 879	284 953
	2 144 765	**2 141 233**