



AS AMBER LATVIJAS BALZAMS

ANNUAL REPORT 2024

**prepared in accordance with
IFRS Accounting Standards as adopted by the EU**

This version of financial statements 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, the original language version of financial statements takes precedence over this translation.

CONTENTS

COMPANY INFORMATION	3
MANAGEMENT REPORT	5
Operating activities	5
Company's operations in the reporting year	5
Financial performance	5
Non-financial performance and activities for the reporting year	7
Sustainability report	8
Risk assessment and management	9
Stock and fund market	10
Financial risk management	11
Events after the end of the reporting year	11
Future prospects of Company	12
REMUNERATION REPORT	13
STATEMENT OF MANAGEMENT RESPONSIBILITIES	14
FINANCIAL STATEMENTS:	15
Statement of Profit or Loss	15
Statement of Comprehensive Income	16
Statement of Financial Position	17
Statement of Changes in Equity	19
Statement of Cash Flow	20
Notes to the financial statement	21
INDEPENDENT AUDITOR'S REPORT	57

COMPANY INFORMATION

Name of the Company	AS Amber Latvijas Balzams
Legal status of the Company	Joint-stock company
Registration number, place and date of the Republic of Latvia	Registered in the Register of Enterprises under single number 40003031873 on 2 October 1991 in Rīga, with repeated re-registration on 20 October 1998 Registered in the Commercial Register on 19 June 2004 in Rīga
Address	A. Čaka 160 Rīga, LV-1012 Latvia
Main business	Production of alcoholic beverages NACE2 11.01
Major shareholder	Amber Beverage Group Holding S.à r.l. (89.99%)
Names, surnames, positions of the members of the Council positions	Valizhan Abidov – Chairman of the Council (from 18.10.2024) Boriss Ņešatajevs – Deputy Chairman of the Council (from 18.10.2024) Velga Celmiņa – Member of the Council Rolands Gulbis – Chairman of the Council (until 18.10.2024) Valizhan Abidov – Deputy Chairman of the Council (until 14.06.2024) Boriss Ņešatajevs – Member of the Council (until 18.10.2024) Guntars Reidzāns – Member of the Council (until 18.10.2024)
Names, surnames, positions held by Members of Board	Andrejs Višņausks - Chairman of the Board (from 18.09.2024) Intars Geidāns – Chairman of the Board (until 14.06.2024) Valizhan Abidov – Member of the Board (from 14.06.2024 to 18.09.2024) Guntars Betlers – Member of the Board (until 14.06.2024) Guntars Betlers – Chairman of the Board (from 14.06.2024 to 18.09.2024) Guntars Betlers – Member of the Board (from 18.09.2024 to 18.10.2024)

COMPANY INFORMATION (continued)

Auditor and Responsible Certified Auditor
name and address

Ernst & Young Baltic SIA
Commercial Company Licence No. 17
Muitas iela 1A
Rīga, LV-1010
Latvia

Responsible Certified Auditor:
Diāna Krišjāne
Certified Auditor
Certificate No. 124

Corporate Governance Report

<https://amberlb.lv/en/corporate-governance/>

MANAGEMENT REPORT

Operating activities

AS Amber Latvijas Balzams (hereinafter also “the Company”) is a leading producer of alcoholic beverages in the Baltic states. The Company was founded in 1900 as Rīgas Valsts Degvīna Noliktnava Nr. 1 (State Alcohol Warehouse No. 1). From 1970 to 2022, it operated under the name AS Latvijas Balzams, but 2022, it changed to AS Amber Latvijas Balzams. The Company’s major shareholder is Amber Beverage Group Holding S.à r.l. (a company registered in Luxembourg, hereinafter also referred to as the Parent Company or ABGH), which owns 89.99% of the Company shares.

The Company runs two alcoholic beverage production plants in Rīga, a spirits production plant and a sparkling wine and light alcoholic beverage production plant. They make most types of alcoholic beverages, such as sparkling wines, fortified wines, ciders, alcopops, vodka, liqueurs, brandy, spirits, gin, etc. Some AS Amber Latvijas Balzams recipes are several centuries old with Rīgas Melnais Balzams® origins going back to 1752.

Overall, the Company produces more than 100 brands of beverages. The Company’s products are sold in almost all regions of the world through Amber Beverage Group and Stoli Group, as well as direct export.

The Company works with the largest suppliers of raw materials and consumables in the European Union. The most important resources are water and alcohol-containing raw materials. Water is taken from artesian wells on the Company’s site. Ethyl alcohol for most of the products is supplied by the Company’s partners working in the European Union.

A small, but still significant, part of the Company’s business is the logistics services. The services are mainly provided to related companies, but the volume of services to other companies in the alcoholic beverage industry, such as transit services, customs warehousing services, logistics services, value-added services, consolidation, etc., keeps going up. These activities enable more efficient use of available resources.

AS Amber Latvijas Balzams successfully operates as a European logistics centre for the distribution of the brands represented by the Group (Rooster Rojo Tequila, KAH Tequila, Bayou Rum, Arinzano, Achaval Ferrer, Se Busca, Cenote and Kentucky Owl) in Europe, Scandinavia and other countries.

As a socially responsible and sustainable company, we publish the information required by law about our sustainability and corporate social responsibility measures in accordance with the GRI (*Global Reporting Initiative*) principles. This information is available in the Corporate Social Responsibility section of the Company’s website.

The Company has drafted and adheres to the following procedures: Corporate Social Responsibility Policy, Company Procurement Procedure, Collective Bargaining Agreement, Quality Management Handbook, Ethical Marketing Communication Code, Anti-Corruption Policy, Data Protection Policy, Risk Management Policy, Remote Work Policy and other internal documents. These documents, policies and procedures are reviewed regularly, both internally in accordance with the Quality Management System and as a part of external audits. The audit results and planned corrective measures are considered at the Company’s management meetings.

The company is more diligent in ensuring information disclosure and the level of detail in this report has been improved which has a positive impact on informing the parties involved and creating predictable and stable long-term relationships.

Pursuant to the good corporate governance practice, the Company appointed one of the leading audit service providers in the world as a new auditor of the 2024 annual report.

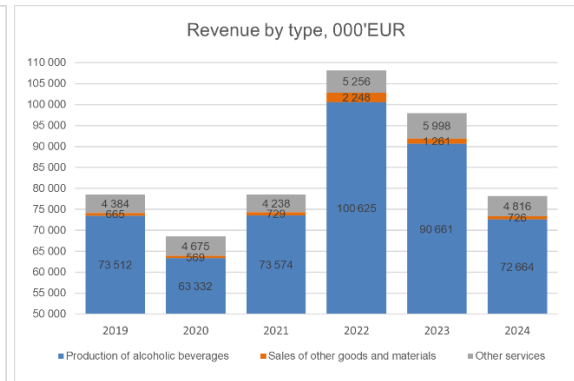
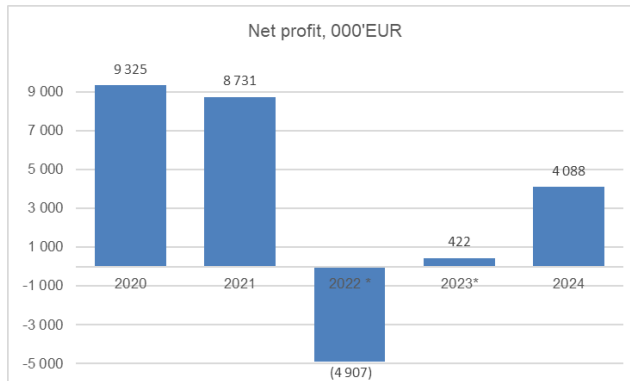
Company's operations in the reporting year

Financial performance

In 2024, the Company’s net turnover reached EUR 78.2 million, which is 20.1% less than in the same period of 2023. In 2024, total sales (expressed in 9Lcs) were 19.1% lower than in the same period of 2023. The order volumes in 2024 were affected by strategic decisions regarding the development of the Stoli brand made by Stoli Group as the largest customer with a share of 40% of the total volumes.

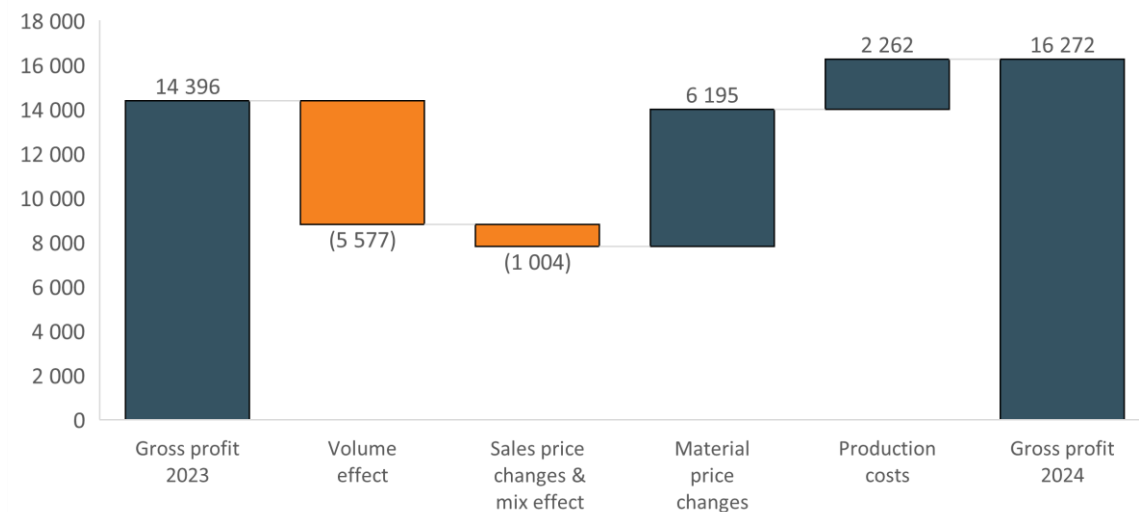
MANAGEMENT REPORT (continued)

	01.01.2024- 31.12.2024	01.01.2023- 31.12.2023
	9Lcs	9Lcs
Sales Volume, 9-Liter Cases	3 688 923	4 560 336



* for the retrospective correction of an error which has significantly affected the financial indicators, see Note 30

Gross profit for the reporting period was EUR 16.3 million, which is EUR 1.9 million (+13.0%) more than in the same period of 2023. The gross profit indicator was negatively affected by the drop in sales volume, but it was fully offset by lower costs of the most important raw materials and consumables used in the production (down by 25.8% in comparison with same period of 2023), which was mainly due to procurement of raw materials at better prices.



In 2024, the operating profit was EUR 2.6 million, which is a loss of EUR 0.6 million in comparison with the corresponding figure in 2023. The operating profit to turnover ratio in the 2024 reporting period was 3.4% (-0.6% in 2023).

The main reason behind the change in operating profit was the creation of additional provisions. The total amount of provisions is EUR 16.9 million. Of these, EUR 0.9 million are attributable to 2024. The 2022 and 2023 comparative metrics have been corrected due to the retrospective correction (see Note 30) from the additional provision, i.e. those are EUR 11.2 million in 2022 and EUR 4.7 million in 2023.

Sales and administrative costs, as well as other operating income and expenses have not changed significantly in comparison with the previous period.

MANAGEMENT REPORT (continued)

In the reporting period, the Company's net profit was EUR 4.1 million, which is an increase on same period of 2023 (EUR 0.4 million).

The Company's alternative performance metrics for the reporting year and the comparative figures thereof for the preceding reporting periods are as follows:

The Company's Return on Equity (ROE) and Return on Assets (ROA):

	31.12.2024 *	31.12.2023 *	31.12.2022 *
ROA**	2.3%	0.2 %	-2.7 %
ROE***	3.3 %	0.3 %	-3.7 %

* for the retrospective correction of an error which has significantly affected the financial indicators, see Note 30

** ROA = Net profit/average asset value x 100%

*** ROE = Net profit/average equity value x 100%

Average total assets = (total assets at the beginning of the period + total assets at the end of the period) / 2

Average total equity = (total equity at the beginning of the period + total equity at the end of the period) / 2

The Company's EBIT* and EBITDA**:

	2024 *	2023 *	2022 *
	EUR 000	EUR 000	EUR 000
EBITDA**	5 496	1 840	(2 734)
EBIT ***	2 646	(581)	(4 857)

* for the retrospective correction of an error which has significantly affected the financial indicators, see Note 30

* EBIT = Profit before corporate income tax, finance expenses, finance income

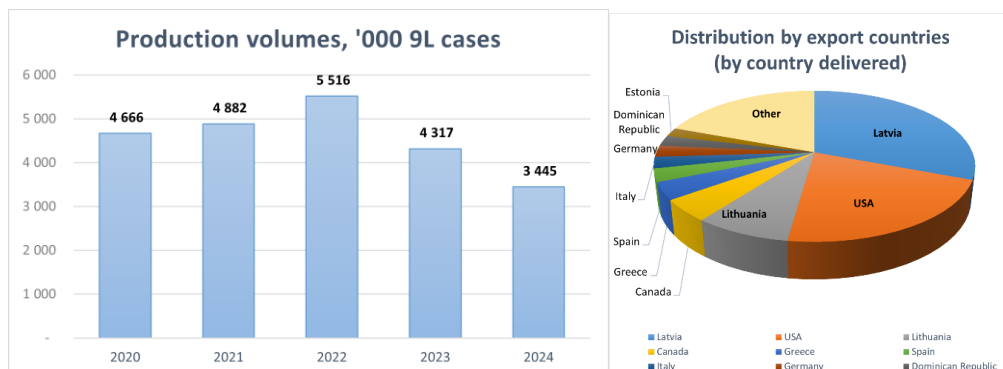
** EBITDA = Profit before corporate income tax, finance expenses, finance income, depreciation and amortisation

The Company's management uses the aforementioned alternative performance metrics for assessing the financial performance for a specific financial period and decision-making.

AS Amber Latvijas Balzams is one of the largest taxpayers in the country. In the reporting period, the Company paid EUR 73.9 million to the state budget in taxes, including EUR 57.4 million in excise duty.

Non-financial performance and activities for the reporting year

Similar to the turnover, in 2024, the production output also dropped by 20% in comparison with 2023.



MANAGEMENT REPORT (continued)

Considering the drop in the production volumes and overall profitability, the Company has taken a series of measures to boost its production efficiency and cut costs:

- continued work to preserve and achieve even further improvements in the filling equipment overall equipment effectiveness (OEE) indicator;
- re-negotiated energy resource purchase agreements which came into effect in the second half of 2024 and created additional production cost savings;
- labour resources and other costs adjusted to match current production volumes by switching to single shift work, which enabled significant workforce optimisation (-21% in comparison with the same period of 2023).

Despite the drop in sales volumes, in 2024, the Company, following the Amber Group 2030 strategy and taking a series of steps to boost efficiency, invested in the development of its production facilities especially focusing on improving efficiency and adaptability, as well as maintaining the low cost base. The most significant investment projects completed in the reporting year were:

- Purchase of vodka production equipment (for Green Mark);
- Purchase of glass bottle making equipment (250 ml, for alcopops);
- Replacement of the product cooling system in the liqueur department;
- Purchase of equipment for the new Moskovskaya labels;
- Washing unit control automation distribution upgrade

In addition to the financial indicators set out in the report, the Company uses the following comparative metrics for its performance analysis: RFT (right first time) and OTIF (on time in full) & quality. RFT measures the percentage of products manufactured correctly in the first run. In 2024, it reached 97.5%, which shows an improvement in comparison with the same metric in 2023 (94.9%). The OTIF metric represents the Company's ability to deliver customer orders on time, in full and with required quality. In 2024, it reached 95.5%, which is an improvement on 95% in 2023.

In 2024, the product range was expanded with new products Riga Black Balzam® Tropical, Bonaparte Black, Cosmopolitan Diva® Mojito Fusion, new sizes were introduced for Riga® Prestige Cuvee sparkling wine Semi Seco, Gradus Vodka, Moka, Grand Cavalier® brandy, Spartaks Premium, Žolynų, and new designs were created for Irish Whiskey De Danann, Hektors, 3 graudu, Rīgas šampanietis® for the holiday season. In 2024, Company also continued the rollout of the new Moskovskaya® Vodka design on international markets.

Sustainability report

In 2024, Company's Parent company Amber Beverage Group Holding S.à rl. (ABG Group) issued a Sustainability Report in accordance with the GRI (*Global Reporting Initiative*) principles also including the Company's information in it. It allowed the Company not to publish a separate sustainability report. The ABG Group Sustainability Report also includes information on environmentally sustainable business activities in accordance with the European Union taxonomy requirements. The ABG Sustainability Report is published alongside the ABG Group Annual Report and is available in the [ESG Reporting](#) section of the ABG website.

Pursuant to European Commission (EC) Regulations No. 2020/852 and No. 2021/2178, the Company discloses qualitative and quantitative information on taxonomy-eligible and taxonomy non-eligible economic activities for each of the three indicators: turnover, capital expenditure, operating expenses.

According to the classification included in the EU Taxonomy Compass, all Company's economic activities are considered taxonomy non-eligible.

In line with the Amber Group Sustainability Strategy, the Company will also continue working to achieve its sustainability objectives to enable it taking necessary steps in 2025 and 2026 to fully adopt the CSRD and ESRS standards in the Company.

MANAGEMENT REPORT (continued)

Risk assessment and management

Within the Company's product and risk management process, when evaluating the external and internal environmental factors that may affect the Company's operations, the following factors being the object of special attention should be mentioned:

- Timely identification of and compliance with any changes in legal requirements, ensuring staff briefing and awareness in a timely manner
- Ensuring production continuity by planning production capacity and workload in a timely manner

In its operations, the Company strictly adheres to the laws of the Republic of Latvia. Considering its business sector, the Company places extra emphasis on the assessment of transactions and their compliance with laws.

The Company closed 2024 with a profit of EUR 4,088 thousand and as at 31 December 2024 its current assets still exceeded its current liabilities by EUR 75 million, and the net asset amount after correction of the preceding year's errors remained at 125 million.

However, the Company's management acknowledged that a large portion of current assets of EUR 73 million consists of receivables from related parties and other related companies of the group. The increased operational, market and geopolitical risks associated with these financial assets include loan recovery risks. Additional sales drop risks in the US and uncertainties around the extra tariffs on exports to the US make the Company's management wonder about the liquidity risk deterioration and, consequently, collectability of these receivables during 2025 and in the foreseeable future.

The Company continues to provide guarantees and has pledged its tangible and intangible assets to guarantee the loans received by the parent company. The Company's management is aware that these loans are subject to certain covenants. The parent company had not fulfilled individual covenants actively informing its creditors and receiving refusals to use premature loan repayment. These circumstances expose the Company to the risk that banks demand the realisation of guarantee obligations and pledges from the Company, thus potentially significantly harming the Company's liquidity position.

Due to the decline in the volume of products sold in 2024, which subsequently required a series of operational and financial actions to streamline the Company's operations, in 2024 the Company faced multiple challenges, which continue in 2025 and on which the Company plans to work actively in 2025 and 2026:

- Optimising both variable and fixed cost base;
- Implementing planned investment projects and launching new products timely and in full;
- Ensuring fulfilment of orders under conditions of increased demand, especially in the second half of the year;
- Strengthening the Company's liquidity, working capital turnover and profitability indicators to ensure the planned cash flow forecast indicators in 2025 and 2026;
- In the second half of 2025, reviewing and, if necessary, restructuring the payment term structure, as well as these related companies' debt payment conditions to related companies in the Amber and Stoli Groups. The purpose of these actions and decisions is to ensure the optimal and effective redistribution of costs and resulting credit and liquidity risks within the Group for the benefit of both the Company and related parties;
- Improving inventory turnover ratios and primarily significantly reducing the balance of slow-moving inventory items;
- The Company management will assess and regularly monitor the decisions of the US courts regarding the impact of Chapter 11 on the conditions for the continuation of the activities of the related group company in the US, so that the Company can take the necessary measures in a timely manner to ensure sales volumes in the US market;
- Regularly assessing the impact of potential import tariffs imposed by the US government on the Company's sales figures, as well as monitoring their possible growth and dynamics.

MANAGEMENT REPORT (continued)

Assessing and planning the future liquidity items, the Company's management has drawn up detailed cash flow forecasts and estimated that the Company will have sufficient current asset resources available in 2025 and 2026 to ensure stable liquidity in accordance with the Company's cash flow forecasts for the aforementioned forecast period. Therefore, the Company's management believes that the Company will be able to obtain sufficient and positive financing for its current liquidity requirements and ensure the Company's continued operations in the future.

On 25 August 2024, the Company experienced an external cyberattack on internal IT systems. Following the Company's IT security instructions, this incident was promptly identified and fended off. The Company assessed the situation very seriously and subsequently took all the necessary actions set forth in the instructions to mitigate the consequences, as well as informed the responsible data protection and security authorities of the Republic of Latvia. As a result, a criminal case has been initiated regarding the cyberattack and the Company's management and responsible IT services are fully cooperating with the responsible authorities.

Since the Company management takes the privacy of data and information resources and their cybersecurity very seriously, following the incident, the Company has taken additional measures and implemented additional automated control procedures to strengthen the Company's cybersecurity and the related internal control system to protect the Company's internal and external process and IT resources and data and their continuity of operations in the interests of the Company.

Stock and fund market

In 2024, the Company's share price fluctuated between EUR 8.30 and EUR 9.40 share (Nasdaq Baltic ticker BAL1R; ISIN: LV0000100808).

Members of the Board and Council of the Company do not own AS Amber Latvijas Balzams shares.



MANAGEMENT REPORT (continued)

The share price trends in the previous three reporting periods are as follows:

	Average price, EUR	Minimum price, EUR	Maximum price, EUR
2024	9.04	8.30	9.40
2023	9.58	8.80	10.20
2022	10.00	8.93	11.92

Financial risk management

The main business of AS Amber Latvijas Balzams is associated with exposure to several financial risks, including credit risk, liquidity risk and interest rate risk. The Company management continuously assesses financial risks in order to minimise their potential negative impact on the Company's financial performance.

Financial assets which could potentially subject the Company to a certain degree of credit risk concentration are mainly related party receivables and loans to related companies. The Company has implemented and adheres to a credit policy to consider offering post-payment terms to customers with a good credit history.

Although the Company's operational performance remains strong, the Company actively manages its timing of incoming cash flow, particularly with respect to receivables.

In its international transactions, the Company also complies with the sanctions regime based on the information published on the website of the Ministry of Foreign Affairs of the Republic of Latvia, as well as on its internal procedures.

As at 31 December 2024, the Company's current assets exceeded its current liabilities by EUR 75 million (by EUR 79 million as at 31 December 2023). The Company can 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:

	2024 *	2023 *	2022 *
Current ratio**	2.53	2.34	2.70
Quick ratio***	2.03	1.67	2.08

* for the retrospective correction of an error which has significantly affected the financial indicators, see Note 30

** Current ratio = Current assets / current liabilities.

*** Quick ratio = (trade receivables + related party receivables + cash and cash equivalents) / current liabilities

Financial risk governance is further disclosed in Note 28.

Events after the end of the reporting year

In the period since the last day of the reporting year until the date when the financial report was signed, there were no events that would have any significant effect on the financial position of the Company as at 31 December 2024.

MANAGEMENT REPORT (continued)

Future prospects of Company

In 2025, AS Amber Latvijas Balzams will continue to focus on:

- Investments in its core brands to build international recognition;
- Brand and product portfolio optimisation;
- Enhancement of technological security and ensuring continuous production;
- Supply chain optimisation through boosting cost efficiency;
- Improving the quality of customer service;
- Production efficiency improvement programme.

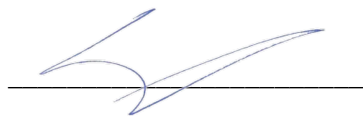
The Company will continue boosting its production efficiency focusing on procurement, planning and infrastructure improvements to achieve its goal: to deliver quality products at a competitive price. The start of production of the Moskovskaya Vodka new design is planned.

Together with increased productivity, profitability and profit indicators, achieving this goal will enable more efficient planning of production capacity and more flexible adaptation to the market needs and demand.

To achieve this goal, the work on the following projects will continue in 2025:

- optimisation of production shift work organisation;
- optimisation of technical facilities and capex planning;
- introducing and implementing additional LEAN-based measures and practices;
- boosting the efficiency of logistics operations;
- reduction of losses at production stages;
- personnel training, boosting employee motivation.

On behalf of the Board:



Andrejs Višņausks
Chairman of the Board

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REMUNERATION REPORT

The Remuneration Report is published in Latvian and English together with the audited Company's annual report as a separate part of the annual report in the [For Investors](#) section of the Company's website at www.amberlb.lv and Nasdaq Riga website at www.nasdaqbaltic.com.

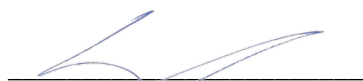
STATEMENT OF MANAGEMENT RESPONSIBILITIES

The Company's management is responsible for drawing up the Company's financial statements in accordance with the requirements of the IFRS accounting standards endorsed in the European Union. The financial statements give a true and fair view of the financial position of the Company at the end of the reporting year and its performance indicators and cash flow for the reporting year.

The Management confirms that the appropriate accounting and valuation policies have been used for the financial statements on pages 15-56 and that the decisions and estimates made have been prudent and reasonable. The Management confirms that the financial statements have been drawn up on a going concern basis.

The Management is responsible for maintaining proper accounting system, safeguarding the Company's assets, as well as for detecting and preventing fraud and other irregularities occurring in the Company. The Management is responsible for complying with statutory regulations of the Republic of Latvia.

On behalf of the Board:

A handwritten signature in blue ink, consisting of a series of loops and strokes, positioned above a horizontal line.

Andrejs Viskausks
Chairman of the Board

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Statement of Profit or Loss

	Note	2024 EUR	2023 (Restated) EUR
Revenue from contracts with customers	1	78 205 510	97 920 181
Cost of goods sold	2	(61 933 845)	(83 524 427)
Gross profit		16 271 665	14 395 754
Selling expense	3	(6 578 164)	(7 473 493)
Administrative costs	4	(5 142 141)	(4 952 768)
Other operating income	5	898 835	3 031 751
Other operating expense *	6	(2 803 944)	(5 582 600)
Net financial income / (expenses)	8	1 441 554	1 003 106
Profit before taxes		4 087 805	421 750
Net profit*		4 087 805	421 750
Earnings per share			
Basic	9	0,55	0,06
Diluted	9	0,55	0,06

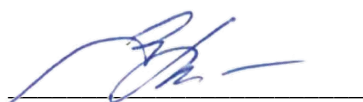
*For additional information on adjustments, see Note 30.

The Notes on pages 21 to 56 are an integral part of this financial statement.

On behalf of the Board:



Andrejs Višņausks
Chairman of the Board



Ināra Kondratoviča
Chief Accountant, SIA Amber Beverage Group

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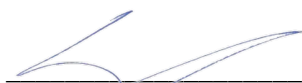
Statement of Comprehensive Income

	2024 EUR	2023 (Restated) EUR
Net profit*	4 087 805	421 750
TOTAL comprehensive income for the period	4 087 805	421 750

*For additional information on corrections, see Note 30.

The Notes on pages 21 to 56 are an integral part of this financial statement.

On behalf of the Board:



Andrejs Višņausks
Chairman of the Board



Ināra Kondratoviča
Chief Accountant, SIA Amber Beverage Group

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Statement of Financial Position

		31.12.2024	31.12.2023 (Restated)	01.01.2023 (Restated)
		EUR	EUR	EUR
ASSETS	Note			
Non-current assets				
Intangible assets	10	219 717	303 488	360 940
Property, plant and equipment	11	11 859 923	12 560 544	15 236 211
Right of use assets	24	3 470 058	3 720 564	1 766 606
Loans to related companies	23 (e)	35 287 497	31 787 497	33 730 915
Other non-current assets	14	38 344	159 944	1 352 901
Total non-current assets:		50 875 539	48 532 037	52 447 573
Current assets				
Inventories	12	24 361 312	35 014 511	31 939 822
Trade receivables	13	1 354 743	1 630 449	2 049 260
Receivables from related companies *	23 (a)	49 335 709	48 916 705	48 869 583
Loans to related companies within the Group account	23 (f)	42 157 771	47 140 912	46 433 065
Other current assets	14	6 758 966	4 467 073	719 222
Cash and cash equivalents		12 367	110 519	150 931
Total current assets:		123 980 868	137 280 169	130 161 883
Total assets		174 856 407	185 812 206	182 609 456

*For additional information on adjustments, see Note 30.

The Notes on pages 21 to 56 are an integral part of this financial statement.

On behalf of the Board:



Andrejs Visņausks
Chairman of the Board



Ināra Kondratoviča
Chief Accountant, SIA Amber Beverage Group

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AS Amber Latvijas Balzams
Annual Report 2024

		31.12.2024 EUR	31.12.2023 (Restated) EUR	01.01.2023 (Restated) EUR
EQUITY AND LIABILITIES				
Equity				
Share capital	15	10 495 660	10 495 660	10 495 660
Share premium		87 887	87 887	87 887
Reserves	16	2 318 823	2 318 823	2 318 823
Retained earnings *		111 983 413	112 393 748	116 470 139
Total equity:		124 885 783	125 296 118	129 372 509
Liabilities				
Non-current liabilities				
Borrowings and lease liabilities	17	1 041 136	1 903 137	887 555
Total non-current liabilities:		1 041 136	1 903 137	887 555
Current liabilities				
Borrowings and lease liabilities	17	1 389 900	1 245 285	1 222 189
Trade payables		12 133 811	15 506 787	15 897 558
Payables to related companies	23 (b)	885 489	4 413 522	4 848 742
Taxes and mandatory state social insurance contributions payable	18	27 645 656	35 154 963	27 409 203
Dividends payable		4 498 140	-	-
Other liabilities	19	2 376 492	2 292 394	2 971 700
Total current liabilities:		48 929 488	58 612 951	52 349 392
Total liabilities:		49 970 624	60 516 088	53 236 947
Total equity and liabilities		174 856 407	185 812 206	182 609 456


*For additional information on adjustments, see Note 30.

The Notes on pages 21 to 56 are an integral part of this financial statement.

On behalf of the Board:



Andrejs Višņausks
Chairman of the Board



Ināra Kondratoviča
Chief Accountant, SIA Amber Beverage Group

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Statement of Changes in Equity

	Share capital	Share premium	Reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
31.12.2022 (Restated)	10 495 660	87 887	2 318 823	116 470 138	129 372 508
Net profit *	-	-	-	421 750	421 750
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	421 750	421 750
Dividends				(4 498 140)	(4 498 140)
31.12.2023 (Restated)	10 495 660	87 887	2 318 823	112 393 748	125 296 118
Net profit	-	-	-	4 087 805	4 087 805
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	4 087 805	4 087 805
Dividends	-	-	-	(4 498 140)	(4 498 140)
31.12.2024	10 495 660	87 887	2 318 823	111 983 413	124 885 783

*For additional information on adjustments, see Note 30.

The Notes on pages 21 to 56 are an integral part of this financial statement.

On behalf of the Board:



Andrejs Višņausks
Chairman of the Board



Ināra Kondratoviča
Chief Accountant, SIA Amber Beverage Group

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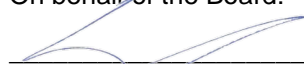
Statement of Cash Flow

	Note	2024 EUR	2023 (Restated) EUR
Cash flow from operating activities			
Profit for the period before taxes *		4 087 805	421 750
<u>Corrections for:</u>			
depreciation of PPE and rights of use assets,	7	2 850 000	2 421 408
amortisation of intangible investments			
net profit or loss from alienation of PPE, investment		1 915	(2 031 677)
property and intangible assets			
changes in provisions for receivables*		931 235	4 743 199
changes in provisions for slow-moving stock		85 308	(114 842)
interest income	8	(1 731 671)	(1 285 158)
interest expense	8	283 822	226 299
<u>Change in current assets</u>			
Inventories balance (increase) / reduction		10 567 890	(2 959 847)
Trade receivables and other receivables (increase)		(6 744 827)	(2 926 404)
/decrease			
Increase / (decrease) in trade payables and other		(14 279 751)	6 965 250
creditors			
Gross cash flow from operating activities		(3 948 274)	5 459 978
Net cash flow from operating activities		(3 948 274)	5 459 978
Cash flow from investing activities			
Acquisition of PPE and intangible assets		(1 027 312)	(2 187 053)
Revenue from sale of PPE		3 506 262	328
Income from loan repayment		18 101	1 943 418
Received interest on loans		-	1 196 190
Net changes in loans to related companies (credit		3 196 711	(618 880)
line)			
Net cash flow from investing activities		5 693 762	334 003
Cash flow from financing activities			
Borrowings repaid		(269 276)	(310 704)
Lease payments	24	(1 117 765)	(744 898)
Interest paid		(456 599)	(280 651)
Payment of dividends		-	(4 498 140)
Net cash flow from financing activities		(1 843 640)	(5 834 393)
Net cash and cash equivalents (decrease) /increase		(98 152)	(40 412)
Cash and cash equivalents at the beginning of the reporting		110 519	150 931
Cash and cash equivalents at the end of the reporting year		12 367	110 519

*For additional information on adjustments, see Note 30.

The Notes on pages 21 to 56 are an integral part of this financial statement.

On behalf of the Board:



Andrejs Višņausks
Chairman of the Board
Rīga, 30 April 2025



Ināra Kondratoviča
SIA Amber Beverage Group
Chief Accountant

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Notes to the financial statement

I. GENERAL INFORMATION

AS Amber Latvijas Balzams (hereinafter “the Company”) is the largest manufacturer of alcoholic beverages in the Baltic states. Overall, the Company makes more than 100 different alcoholic beverages. The Company’s major shareholder, which owns 89.99% of the Company shares as at 31 December 2024, is Amber Beverage Group Holding S.à r.l. (Company registered in Luxembourg). The leading company of the Group is SPI Group Holding Limited (a company registered in Cyprus).

AS Amber Latvijas Balzams is a joint-stock Company established and having its registered office in Latvia. The company was founded in 1900, but got its current name in 1970. The Company’s registered office is A. Čaka 160, Rīga, LV-1012, Republic of Latvia. AS Amber Latvijas Balzams is listed on the Nasdaq Rīga Second List.

The Company’s financial reporting year is from 1 January 2024 to 31 December 2024.

The approval of the annual report of a Company at a shareholder’s meeting shall be postponed if the postponement is requested by shareholders who represent at least one-tenth of the equity capital in the event the correctness of individual positions in the annual report is disputed.

The Board of the Company signed the Company’s 2024 Annual Report on 30 April 2025.

II. ACCOUNTING POLICIES

(1) General principles

These financial statements have been drawn up in accordance with the IFRS accounting standards endorsed by the European Union (IFRS).

The information included in the financial statements is presented in accordance with IAS 1 Presentation of Financial Statements. The Company has elected to present the Statement of Profit or Loss and the Statement of Comprehensive Income as separate statements.

The financial statements are prepared on a historical cost basis. The Statement of Profit or Loss was classified by function of expense.

For the comparison of the reported data, certain items of the 2023 Statement of Profit or Loss were reclassified.

In the Statement of Cash Flow, the indirect method was used for cash flow from operating activities.

Preparation of the financial statements in accordance with IFRS requires substantial assumptions. Moreover, preparing the financial statement, the Management has to make certain estimates and judgements when applying the accounting policies elected by the Company. Significant assumptions and judgments are disclosed in Note 17 of the Accounting Policies.

The financial statements have been drawn up on a going concern basis.

Going concern estimate

The Company closed 2024 with a profit of EUR 4,088 thousand and as at 31 December 2024, its current assets exceeded its current liabilities by EUR 75 million, while the net asset amount after correction of the preceding year’s errors (Note 30) remained at 125 million EUR.

However, the Company’s management acknowledged that a large portion of current assets in the amount of EUR 73 million consisted of receivables of related parties and other related companies of the group (Note 23 (b)). The increased operational, market and geopolitical risks associated with these financial assets include loan recovery risks. Additional sales drop risks in the US and uncertainties around the extra tariffs on exports to the US make the Company’s management wonder about the liquidity risk deterioration and, consequently, collectability of these receivables during 2025 and in the foreseeable future. Consequently, such circumstances create significant uncertainty in terms of the

II. ACCOUNTING POLICIES (continued)

(1) General principles (continued)

Company's ability to continue its operations in the future under normal business conditions and, therefore, to realise its assets and settle its liabilities in the ordinary course of business.

Assessing and planning the future liquidity items, the Company's management has drawn up detailed cash flow forecasts and estimated that the Company will have sufficient current asset resources available in 2025 and 2026 to ensure stable liquidity in accordance with the Company's cash flow forecasts for the aforementioned forecast period.

As set out in Note 18 of this report, the Company's tax liabilities as at 31 December 2024 include postponed tax liabilities of EUR 13,689 thousand. This practice regarding postponed tax balances was also implemented previously taking into account the rapid increase in turnover towards the end of the year and is associated with slower settlements with certain cooperation partners, as a result of which AS Amber Latvijas Balzams cannot make all tax payments as stipulated by law. In connection with these circumstances, the Company is actively cooperating with the SRS and an agreement on the repayment schedule has been reached. The Company plans to fully settle those by 31 January 2026.

The Company's other current tax liabilities were and are being fully paid in accordance with the relevant tax payment schedule set out in Latvian laws and the Company's management still continues monitoring the settlement of tax liabilities.

As set out in Note 26, the Company continues to provide guarantees and has pledged its tangible and intangible assets to guarantee the loans received by the parent company. The Company's management is aware that these loans are subject to certain covenants. The parent company had not fulfilled individual covenants actively informing its creditors and receiving refusals to use premature loan repayment. These circumstances expose the Company to the risk that banks demand the realisation of guarantee obligations and pledges from the Company, thus potentially significantly harming the Company's liquidity position.

For the purposes of reducing the above-mentioned risk, as regards those issued guarantees and pledges, the Company's management made sure that the parent company has received the covenant waiver letters from all banks stating that the banks would not be accelerating those loans as at the date of this statement.

Having assessed the credit risk associated with the issued guarantees and the aforementioned mitigating factors, the Company's management assessed and estimated its ability to continue as a going concern for the foreseeable future.

To mitigate those risks, the Company's management has reviewed the positive cash flow forecasts of both the Company and the Group as a whole and estimated its positive balance for the next 12 months in 2025 and 2026. The main measures to improve cash flow include increasing the volume of the Company's products sold on the markets other than the US and improving turnover and quicker selling of inventories, achieving an additional effect of EUR 5.3 million, internal reorganisation measures in the Company and the Group amounting to EUR 3.2 million, as well as the sale of non-performing non-current assets of both the Company and the Group worth EUR 6 million and other measures.

The Company's management believes that the Company will be able to obtain sufficient and positive financing for its current liquidity requirements and ensure the Company's continued operations in the future.

The above circumstances allow the Management to believe that the application of the going concern basis of accounting in the preparation of the financial statements was justified.

II. ACCOUNTING POLICIES (continued)

(1) General principles (continued)

a) New standards, interpretations and amendments effective as of 1 January 2024

The following amendments apply to the period beginning on 1 January 2024:

- Supplier Finance Agreement (Amendments to IAS 7 and IFRS 7)
- Lease Liabilities in Sale and Leaseback Transactions (Amendments to IFRS 16);
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1); and
- Non-current Liabilities with Covenants (Amendments to IAS 1).

These amendments to various IFRS accounting standards are mandatory for reporting periods beginning on or after 1 January 2024.

Supplier Finance Agreement (Amendments to IAS 7 and IFRS 7)

On 25 May 2023, the IASB issued Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures.

The amendments require companies to provide specific (both qualitative and quantitative) disclosures about supplier financing arrangements. The amendments also clarify the guidelines regarding the characteristics of supplier financing arrangements.

Lease Liabilities in Sale and Leaseback Transactions (Amendments to IFRS 16)

On 22 September 2022, the IASB issued Amendments to IFRS 16 Lease Liabilities in Sale and Leaseback Transactions.

Before this amendment, **IFRS 16** did not set forth specific requirements regarding measuring lease liabilities if those include variable lease payments resulting from a sale and leaseback transaction. The amendment requires that, when measuring lease liabilities in such transactions, the seller-lessee shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

The Company believes that the changes in these standards and interpretations do not have any significant impact on the Company's financial statements.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

In January 2020, the IASB issued amendments to *IAS 1 Classification of Liabilities as Current or Non-Current* and later, in October 2022, amendment to *IAS 1 Non-Current Liabilities with Covenants*.

The amendments clarify the following aspects:

- An entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period.
- If the entity's right to defer settlement is subject to compliance with covenants, those covenants affect whether that right exists only if the entity is required to comply with the covenant in the reporting period.
- The classification of a liability as current or non-current does not depend on the probability that the entity will exercise its right to defer settlement.

II. ACCOUNTING POLICIES (continued)

(1) General principles (continued)

- If the liability can be settled by handing over the entity's equity instruments, such settlement conditions do not affect the classification of the liability as current or non-current, unless the option is classified as an equity instrument.

These amendments do not affect the measurement of any items in the Company's financial statements.

b) New standards, interpretations and amendments that have not yet come into effect

There are several amendments and interpretations to the IFRS accounting standards that have been issued but are not yet effective in the current accounting periods. The Group/Company decided not to apply them prematurely.

The following amendments will apply to the reporting period beginning on 1 January 2025:

- Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates)

The following amendments will apply to the reporting period beginning on 1 January 2026:

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 Financial Instruments and IFRS 7)
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)

The following standards and amendments will apply to the reporting period beginning on 1 January 2027:

- IFRS 18 Presentation and Disclosure in Financial Statements
- IFRS 19 Subsidiaries without Public Accountability: Disclosures

The Company is currently assessing the impact of these new accounting standards and amendments.

IFRS 18 Presentation and Disclosure in Financial Statements

This standard issued by the IASB in April 2024, supersedes IAS 1 and brings significant changes to IFRS accounting standards, including IAS 8 Basis of Preparation of Financial Statements (previously Accounting Policies, Changes in Accounting Estimates and Errors). Although IFRS 18 will not affect the recognition and measurement of items in the Group's consolidated financial statements/the Company's separate financial statements, it is expected to have a significant impact on the presentation and disclosure of certain items. These changes include the introduction of categories and subtotals in the statement of profit or loss, changes in the principles of aggregation/disaggregating and labelling information, as well as the disclosure of performance indicators determined by the Management.

The Company has not adopted these standards and interpretations prematurely and believes that the adoption of new or revised standards and interpretations will not have any substantial impact on the Company's financial statements.

II. ACCOUNTING POLICIES (continued)

(2) Revenue recognition

The main business of the Company is production of alcoholic beverages. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at a value which the Company expects as compensation for the transfer of such goods. The company acts as principal in the context of the signed contracts, as it controls the goods before their transfer to the customer.

Revenue from the provision of services

Revenue from the provision of services (mainly logistics services) is recognised in the period in which the services are provided.

Revenue from the sale of goods

Revenue from the sale of goods is recognised net of discounts, returns, value added tax, customs duties and fees, and excise duty. The Company acts as an agent in collecting excise duty from customers and then transfers it to the responsible tax collection authorities, so the revenue is recognised net of excise duty collected from customers. Revenue from the sale of goods is recognised when control and ownership of the goods are transferred to the customer in accordance with the terms of the contract. The goods are sold on 30-90-day post-payment terms. In determining the selling price of goods, the Company takes into account the impact of the variable consideration component.

Variable remuneration component

If, according to the contract, the customer is entitled to a variable consideration component, the Company estimates the amount of such variable consideration component that could be granted the client. The variable consideration component is determined at the transaction inception and is measured throughout the contract until the circumstances arise under which the customer's right to the variable consideration component ends with a sufficiently high probability.

Financing component

The Company does not enter into contracts whereby the period between the agreed delivery time of goods and customer's payment is longer than one year. Accordingly, the Company does not adjust transaction prices for the time value of money.

(3) Functional currency and revaluation

The Company's functional and presentation currency is the official currency of the Republic of Latvia, i.e. the euro (EUR).

All transactions in foreign currencies during the reporting year have been translated into euros by applying the exchange rate determined at the beginning of the transaction date according to the European Central Bank and other central bank systems, which is published on the website of the European Central Bank.

On the last day of the reporting period, all monetary assets and liabilities in foreign currencies were translated into euros at the official exchange rate set by the European Central Bank at the end of the last day of the reporting year.

Net profit or losses resulting from fluctuations of foreign currency exchange rates are reflected in the profit and loss calculation for the respective period.

	31.12.2024	Average in 2024	31.12.2023	Average in 2023
	EUR	EUR	EUR	EUR
1 USD	0.9626	0.9239	0.9050	0.9248
1 GBP	1.2060	1.1812	1.1507	1.1497

II. ACCOUNTING POLICIES (continued)

(4) Property, plant and equipment (PPE)

Property, plant, and equipment are recognised at cost less accumulated depreciation and impairment. The cost includes expenditures that are directly related to the acquisition of the asset.

Subsequent costs are recognised in the assets' carrying amount or as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Other costs of current PPE repairs and maintenance are included in the statement of profit or loss for the period in which they have occurred.

Land is not subject to depreciation. Depreciation of other assets is calculated on a straight-line basis to write off their cost to their residual value using the following useful lives:

	Years
Buildings	10 - 71
Technological equipment	2 - 25
Other machinery and equipment	2 - 25

Construction in progress for production, supply or administrative purposes is carried at cost less any recognised impairment losses. Depreciation of these assets, same as all other PPE, begins when the asset is put into service.

The estimated residual values and useful lives of assets are reviewed and adjusted, where necessary, at the end of each reporting year.

Gains or losses on disposal are determined and included in the statement of profit or loss for the relevant period.

(5) Intangible investments

Intangible investments mainly consist of licences, software and related deployment costs.

Intangible investments are recognised at cost less accumulated amortisation and impairment. Amortisation is calculated from the moment the assets are available for use. Amortisation for intangible assets is calculated using the straight-line method to write off their cost over their useful life of three to five years.

II. ACCOUNTING POLICIES (continued)

(6) Leases

At contract inception, the Company determines whether it is a lease or contains a lease. This is, if the contract transfers the right to control the use of an asset for a specified period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Company as a lessor

Leases in which the Company does not substantially transfer all the risks and benefits of ownership of the asset are classified as operating leases. Lease revenue is recognised on a straight-line basis over the entire lease duration and is included as revenue in the statement of profit or loss taking into account the nature of its operating activities.

Right-of-use assets

The Company recognises the right-of-use assets at the commencement date, i.e., the date the underlying asset is available for use. The Company's right-of-use assets consist of signed leases of real estate and production equipment. Right-of-use assets are measured at cost less accumulated depreciation and impairment, as well as adjusted by the result of recalculation of lease liabilities. The cost includes the amount of the lease liability, direct costs associated with the lease agreement, lease payments made up to the initial recognition of the right-of-use asset less any lease incentives received.

Except where the Company is sufficiently confident that the ownership of the leased assets will be transferred at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the lease term and the estimated useful lives of the assets, whichever is shorter (3 to 10 years). Right-of-use assets are subject to impairment testing.

Lease liabilities

At the inception of the lease, the Company recognises lease liabilities for real estate and process equipment, measured at the current value of the payments arising from the lease agreement. Lease liabilities consist of fixed payments in accordance with the signed lease agreements. For calculating the liabilities, the Company uses its general borrowing rate at the lease commencement date, except where the borrowing rate is determined separately. When calculating the initial recognition of lease liabilities and recalculating them at the end of the reporting period, the Company applied a discount rate of 5.09%. The carrying amount of lease liabilities is reviewed if there are any changes to the lease agreement, the term of lease, the lease payment amount or an option to buy at the end of the period is considered. Every lease payment is apportioned between lease liabilities and interest expenses thereon. Interest paid on lease liabilities is recognised in the statement of profit or loss over the term of lease.

II. ACCOUNTING POLICIES (continued)

(6) Leases (continued)

Short-term leases and low-value asset leases

The Company applies the short-term lease recognition exemption to its short-term leases of other property, plant, and equipment items (i.e., those leases that have a lease term less than 12 months from the commencement date and do not contain the option to buy). This also applies to the low-value asset recognition exemption for leases of office equipment that are considered to be low-value. Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term. All other PPE with cost of up to EUR 500 (five hundred euros), regardless of their useful life, or with cost in excess of EUR 500 (five hundred euros), if their useful life is up to one year, are recognised as low-value fixtures.

(7) Inventories

Inventories are stated at the lower of cost or net realisable value. Net realisable value is the selling price of inventories determined in the ordinary course of business, less the costs of completion and sale of the inventories. If the net realisable value of inventories is lower than their cost, provisions are created to bring the value of the inventory down to its net realisable value.

The cost of inventories is determined using the FIFO method. The cost of purchase of raw materials is formed by the purchase price and the overheads incurred in bringing the inventories to their existing location and condition. The cost of finished goods includes an appropriate portion of production overheads calculated based on normal production volumes.

(8) Financial instruments

Classification

Financial assets include receivables from lease transactions, trade payables from contracts with customers, cash and cash equivalents, and loans granted.

The Company classifies its financial assets as measured at amortised cost. The Company does not have any financial assets that are measured at fair value and reflected in the statement of profit or loss or at fair value and reflected in other comprehensive income.

A financial asset is measured at amortised cost if both of the following conditions are met: (i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and (ii) the contractual terms of the financial asset provide for cash flows on specified dates that are solely payments of principal and interest on the outstanding principal.

The Company recognises financial assets in its statement of financial position only and solely when it becomes a party to an agreement in accordance with the relevant instrument agreement.

Recognition and derecognition

In the ordinary course of business, the acquisition and disposal of financial assets are recognised on the trade date, i.e. the date on which the Company commits to purchase or dispose of the assets. Financial assets are derecognised when the Company's right to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred all the significant risks and rewards of ownership of those assets.

Further measurement

Financial assets measured at amortised cost are subsequently measured using the effective interest rate method and must be tested for impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impairment is established. The Company's financial assets measured at amortised cost include trade payables (both current and non-current).

II. ACCOUNTING POLICIES (continued)

(8) Financial instruments (continued)

Debt instruments

The measurement of debt instruments after initial recognition depends on the Company's business model for managing such assets, as well as the cash flows arising from the contracts. Such instruments are classified into one of two categories of debt instruments:

- Amortised cost: assets held to collect contractual cash flows (principal and interest) are measured at amortised cost. Interest income from these financial assets is reported as finance income using the effective interest method. Gains or losses from the disposal of such assets are recognised in the statement of profit or loss as other revenue (or costs) together with gains or losses from currency exchange fluctuations. Expected credit losses are presented as a separate line item in the income statement.
- Recognition of changes in fair value through profit or loss: assets that do not fall into any of the previous categories are measured at fair value with recognition of changes in the statement of profit or loss. Gains or losses from changes in the fair value of such debt instruments are reported at their net value as other revenue (or costs) when such gains or losses arise.

Impairment of financial assets – provisions for expected credit losses (ECL)

Expected credit losses for financial assets are recognised and measured using one of two approaches: the general approach or the simplified approach.

The Company measures debt instruments (including loans) carried at amortised cost using ECL. The Company determines ECL and establishes provisions for credit losses at each reporting date. The principle of determining ECL reflects: (i) an objective and transaction-weighted amount determined by evaluating a range of possible outcomes; (ii) the time value of money; (iii) all reasonable and demonstrable information about past events, current conditions and forecasts of future conditions available at the end of each reporting period without undue cost and effort.

The Company applies the simplified approach to trade receivables to determine expected credit losses set out in IFRS 9 Financial Instruments, which provides for the creation of provisions for lifetime expected credit losses for all trade receivables grouped based on common credit characteristics and past due dates. The amount of expected credit losses depends on the number of days in arrears.

The Company applies the general approach of a three-step impairment model based on changes in credit quality since initial recognition to all other financial assets subject to impairment under IFRS 9 Financial Instruments. A financial instrument that is not impaired at initial recognition is classified as a Level 1 financial instrument. ECL measures a Level 1 financial asset is measured as an amount that would be incurred in the event of default within the next 12 months or until contractual maturity, whichever is shorter (12-month ECL). If the Company identifies a significant increase in credit risk (SICR) since initial recognition, the relevant asset is transferred to Level 2 and its ECL is determined using lifetime ECL, i.e. until the end of the contract term, but taking into account expected prepayments, if any (lifetime ECL). If the Company determines that a financial asset is impaired, the relevant asset is transferred to Level 3 and measured using the lifetime ECL.

Financial assets measured at amortised cost are presented in the statement of financial position net of provisions for ECL.

The carrying amount of financial assets is reduced using provisions and the amount of the loss is recognised in the statement of comprehensive income under Other operating expenses.

Financial liabilities

Financial liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate. Financial liabilities include trade payables, lease liabilities and other debts.

II. ACCOUNTING POLICIES (continued)

(9) Cash and cash equivalents

Cash and cash equivalents consist of bank current account balances and other short-term highly liquid investments with original maturity of up to 90 days.

(10) Share capital

Ordinary shares are classified as share capital.

(11) Borrowings

Borrowings are initially recognised at fair value net of costs associated with obtaining the loans. In subsequent periods, borrowings are reflected at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

(12) Accrued unused annual leave costs

Accrued unused annual leave costs are calculated by multiplying the average daily earnings of employees for the last six months of the reporting year by the number of leave days accrued but unused at the end of the reporting year.

(13) Corporate income tax

Corporate income tax costs for the reporting year are included in the financial statements based on Management's calculations made in accordance with the tax laws and regulations of the Republic of Latvia.

Corporate income tax is calculated on distributed profits (20/80 of the net amount payable to shareholders). Corporate income tax on distributed profits is recognised when the Company's shareholders make a decision on the distribution of profits.

The Company also calculates and pays corporate income tax on the conditionally distributed profit (20/80 of the calculated taxable base), including taxable items stipulated in the law, such as costs not related to economic activities, accumulated amounts of bad debts and loans to related parties, if they meet the criteria in the Corporate Income Tax Law, as well as other costs that exceed the statutory deductible limits. Corporate income tax on the conditionally distributed profit is recognised in the statement of profit or loss in the year in which it arises.

Pursuant to IAS 12 Income Taxes, when income tax is payable at a higher or lower rate, depending on whether the profit is distributed, the postponed tax assets and liabilities are measured at the tax rate applicable to undistributed profits. In Latvia, the rate applicable to retained earnings is 0%.

(14) Earnings per share

Earnings per share are determined by dividing the net gains or losses attributable to the Company's shareholders by the weighted average number of shares during the reporting year.

(15) Related parties

Related parties are defined as the Company shareholders who have a significant influence or control over the Company, Members of the Board and the Council, their close relatives, and companies in which they have control or significant influence.

II. ACCOUNTING POLICIES (continued)

(16) Employee benefits

Short-term employee benefits, including salary, mandatory state social insurance contributions and bonuses, are included in the statement of profit and loss on an accrual basis.

The Company pays mandatory state social insurance contributions to the state pension insurance and the state funded pension scheme in accordance with Latvian laws.

Pursuant to the regulations of the Cabinet of Ministers of the Republic of Latvia, 71.87% (2023: 71.87%) of the social insurance contributions are used to finance the state pension system. The state-funded pension scheme is a defined contribution pension plan under which the Company is required to make payments in the amount stipulated by law and does not incur any additional legal or constructive liabilities to make additional payments if the state pension insurance system or the state-funded pension scheme cannot settle its liabilities to employees. Mandatory state social insurance contributions are recognised as costs using the accrual principle in the period in which employees have provided their services to the Company.

(17) Significant accounting estimates and assumptions

The preparation of financial statements in accordance with the IFRS requires the use of estimates and assumptions that affect the amounts of assets and liabilities recognised in the financial statements, as well as the disclosures and recognition of income and expenses for the reporting year. Actual results may differ from such estimates. Assumptions may primarily affect areas such as determining the useful life of long-term investments, as well as the recoverable amount of receivables, as described in the relevant Notes.

a) Determining the useful life of property, plant, and equipment

When estimating the useful life of fixed assets, the Management relies on historical information, technical surveys, assessment of the current condition of the asset and assessments by external experts. During the reporting period and the preceding year, there were no factors that would indicate the need to change the useful lives of the Company's fixed assets.

b) Expected credit loss provisions

The Company applies the IFRS 9 allowed simplified method, which uses the recognition of possible credit losses already at the initial recognition of assets, to measure the impairment of trade receivables. To measure the expected credit loss consideration, receivables have been grouped based on the shared credit risk characteristics and the days past due. The expected credit loss allowance rates are determined taking into account payment trends for the 36 months before 31 December 2024. Historical loss rates are adjusted to reflect the current and future information on macroeconomic factors that affect customers' ability to pay accounts receivable (see Note 28).

II. ACCOUNTING POLICIES (continued)

(18) Error correction

If a material error has occurred in the reporting years, it is corrected as follows:

- 1) to the extent possible, determines the impact of the error on the relevant item indicators in the financial statements for the preceding years and its overall impact;
- 2) corrects the balances of assets, equity, provisions or creditor items in the balance sheet affected by the error at the beginning of the reporting year;
- 3) to the extent possible, adjusts other comparable indicators at the beginning of the reporting year.

(19) Events after the end date of the reporting period

The amounts recognised in the financial statements are adjusted taking into account the events after the end date of the reporting period which provide further information about the Company which existed on the end date of the reporting period (adjusting events). Events after the end date of the reporting period which are not considered adjusting are disclosed in a note to the financial statements, if those are substantial.

III. OTHER NOTES

(1) Segment information and net turnover

(a) Operations and reporting segment

The Company's main business is production of alcoholic beverages. AS Amber Latvijas Balzams produces more than 100 different alcoholic beverages under its own and third-party brands using the Company's technologies, assets and resources, therefore the Company has only one reportable operating segment.

(b) Net turnover types

	2024 EUR	2023 EUR
Production of alcoholic beverages	72 663 500	90 660 798
Sales of other goods and materials	726 397	1 261 470
Other services	4 815 613	5 997 913
	78 205 510	97 920 181

(c) Geographic markets (by customer)

	2024 EUR	2023 EUR
Cyprus	40 411 699	52 346 040
Latvia	25 924 327	30 600 699
Lithuania	4 989 207	5 898 691
Estonia	1 588 745	1 489 550
Germany	1 294 789	2 031 475
Ukraine	532 815	462 353
Romania	507 088	741 305
Turkey	325 415	1 194 886
Sweden	242 590	434 033
Norway	197 284	238 669
Finland	120 808	184 388
Brazil	-	212 900
Other countries	2 070 743	2 085 192
	78 205 510	97 920 181

III. OTHER NOTES (continued)

(2) Production cost of goods sold

	2024 EUR	2023 EUR
Changes in the value of inventories of raw materials, consumables and finished products	49 403 612	68 731 880
Remuneration	5 147 692	6 549 851
Depreciation and amortisation of non-current assets	1 562 714	1 441 302
Energy resources	1 293 412	1 911 561
Mandatory state social insurance contributions	1 206 510	1 537 543
Packaging management expenses	1 038 542	1 175 963
Repair and maintenance expenses	722 439	750 726
Insurance premiums	83 567	38 909
Laboratory costs	26 393	38 210
Change in provisions for unused paid leave	19 299	(168 771)
Other costs	1 429 665	1 517 253
	61 933 845	83 524 427

(3) Cost of sales

	2024 EUR	2023 EUR
Remuneration	1 898 134	2 138 804
Advertising and sales promotion expense	1 360 544	1 940 679
Depreciation and amortisation of non-current assets	1 220 570	906 711
Transportation expense	622 607	715 343
Warehouse maintenance expense	587 772	669 379
Mandatory national social insurance contributions	447 210	503 686
Other costs	441 327	598 891
	6 578 164	7 473 493

(4) Administration costs

	2024 EUR	2023 EUR
Management services and expenses	3 251 583	3 029 904
Remuneration	776 097	738 587
Computer equipment maintenance expense	276 642	257 990
Mandatory national social insurance contributions	166 623	155 749
Costs of professional services	160 482	112 107
Property tax	149 980	150 639
Depreciation and amortisation of non-current assets	66 716	73 395
Transportation expense	23 529	41 138
Representation expense	19 946	25 442
Office expense	17 106	18 694
Communication and postal service expense	15 290	9 032
Bank commission	6 302	19 072
Sponsorship and donations	1 750	4 000
Other expenses	210 095	317 018
	5 142 141	4 952 768

III. OTHER NOTES (continued)

The management services received by the Company and related costs of EUR 3.252 thousand include payments redistributed within the group to Amber and Stoli Group companies for the group's product development, distribution and marketing services received by the Company, for centralised financial and management accounting, production IT system maintenance services, as well as for other payments redistributed within the group.

(5) Other operating income

	2024 EUR	2023 EUR
Net profit (loss) from disposal of PPE and investment property	(1 915)	2 031 677
Other revenue	900 750	1 000 074
	898 835	3 031 751

Other revenue in 2024 included fines EUR 587 thousand imposed on the Company, revenue of EUR 227 thousand from PPE lease, revenue of EUR 66 thousand from trademarks and other income of EUR 21 thousand.

(6) Other operating expenses

	2024 EUR	2023 (Restated) EUR
Penalties paid in the reporting year	1 864 501	782 679
ECL provisions *	939 443	4 799 921
	2 803 944	5 582 600

*For additional information on adjustments, see Note 30.

Fines paid included the SRS tax late fees and other supplier penalties for overdue debts.

(7) Cost breakdown by type

	2024 EUR	2023 EUR
Materials	49 403 612	68 731 880
Employee expenses	9 661 565	11 455 449
Management services and expenses	3 251 583	3 029 904
Depreciation of non-current assets	2 850 000	2 421 408
Advertising and sales promotion expense	1 362 294	1 944 679
Packaging management expenses	1 038 542	1 175 963
Transportation expenses	646 136	756 481
Repair and maintenance expenses	722 439	750 726
Property tax	149 980	150 639
Other expenses	7 371 943	11 116 159
	76 458 094	101 533 288

III. OTHER NOTES (continued)

(8) Net finance income/expenses

	2024 EUR	2023 EUR
Interest revenue from related companies	1 731 670	1 285 158
	1 731 670	1 285 158
	2024 EUR	2023 EUR
Interest expenses	274 718	217 195
Interest expenses to related companies	9 104	9 105
Losses from currency exchange rate fluctuations, net	6 294	55 752
	290 116	282 052
Net finance income / (costs)	1 441 554	1 003 106

Interest income to related parties includes payments from the Parent Company Amber Beverage Group Holding S.à r.l. for the use of short-term current assets to support the operational activities of the Group (*cash pool*), interest on loans to the Parent Company, and payments for guarantees granted (Note 26).

(9) Earnings per share

Since the Company has not signed any deals resulting in changes in the share capital which would change the amount of earnings per share, the adjusted earnings per share are equivalent to the basic earnings per share.

Earnings per share are calculated by dividing the net profit for the reporting year by the average number of shares during the year. The 2023 earnings per share were adjusted due to error corrections. For additional information, see Note 30.

	2024	2023
Profit for the reporting year attributable to the Company's shareholders (euro)	4 087 805	421 750
Average number of shares per year	7 496 900	7 496 900
Earnings per share (EUR)	0,55	0,06

III. OTHER NOTES (continued)

(10) Intangible investments

	Licences and software	Other intangible investments	Intangible assets under development	Total
	EUR	EUR	EUR	EUR
Initial value				
31.12.2022	1 321 579	198 301	-	1 519 880
Acquired	-	-	28 613	28 613
Written-off and alienated	(13 263)	-	-	(13 263)
Reclassified	15 000	13 613	(28 613)	-
31.12.2023	1 323 316	211 914	-	1 535 230
Acquired	-	-	4 711	4 711
Written-off and alienated	(58 340)	-	-	(58 340)
Reclassified	4 711	-	(4 711)	-
31.12.2024	1 269 687	211 914	-	1 481 601
Accumulated amortisation				
31.12.2022	(1 148 421)	(10 519)	-	(1 158 940)
Depreciation	(45 232)	(40 833)	-	(86 065)
Written-off and alienated	13 263	-	-	13 263
31.12.2023	(1 180 390)	(51 352)	-	(1 231 742)
Depreciation	(44 689)	(43 793)	-	(88 482)
Written-off and alienated	58 340	-	-	58 340
31.12.2023	(1 166 739)	(95 145)	-	(1 261 884)
Residual value				
31.12.2023	142 926	160 562	-	303 488
31.12.2024	102 948	116 769	-	219 717

III. OTHER NOTES (continued)

(11) Property, plant and equipment (PPE)

	Land, buildings, structures	Equipment and machinery	Other PPE	Construction in progress	Total
	EUR	EUR	EUR	EUR	EUR
31.12.2022					
Initial value	16 968 584	26 112 687	5 016 610	1 990 269	50 088 150
Acquired	-	-	-	3 271 378	3 271 378
Written-off and alienated	(3 652 631)	(456 471)	(230 871)	-	(4 339 973)
Reclassified	420 263	2 986 179	189 488	(3 661 926)	(65 996)
Reclassified as right of use asset	-	(2 434 387)	-	-	(2 434 387)
Reclassified from right of use assets	-	262 198	-	-	262 198
31.12.2023	13 736 216	26 470 206	4 975 227	1 599 721	46 781 370
Acquired	-	-	-	1 022 601	1 022 601
Written-off and alienated	(1 773)	(124 505)	(170 218)	-	(296 496)
Reclassified	200 309	1 387 868	147 098	(1 747 127)	(11 852)
Reclassified as right of use asset	-	-	-	(1 270)	(1 270)
31.12.2024	13 934 752	27 733 569	4 952 107	873 925	47 494 353
Accumulated depreciation					
31.12.2022	(9 709 694)	(20 527 359)	(4 275 661)	(339 225)	(34 851 939)
Estimated depreciation	(479 797)	(988 237)	(158 556)	-	(1 626 590)
Written-off and alienated	1 716 879	528 664	125 779	-	2 371 322
Reclassified from right of use assets	-	(113 619)	-	-	(113 619)
31.12.2023	(8 472 612)	(21 100 551)	(4 308 438)	(339 225)	(34 220 826)
Estimated depreciation	(452 650)	(971 810)	(235 532)	-	(1 659 992)
Written-off and alienated	1 138	78 588	166 662	-	246 388
31.12.2024	(8 924 124)	(21 993 773)	(4 377 308)	(339 225)	(35 634 430)
Residual value					
31.12.2023	5 263 604	5 369 655	666 789	1 260 496	12 560 544
31.12.2024	5 010 628	5 739 796	574 799	534 700	11 859 923

The PPE include fully depreciated property, plant and equipment in operation with a total initial value of EUR 11 988 010 (31.12.2023: EUR 10 073 641).

All of the Company's PPE and most of real estate with a total value of EUR 11.9 million (EUR 5.0 million in land, buildings and structures, EUR 6.9 million in equipment and machinery) are pledged under the Mortgage and Commercial Pledge Agreements as collateral for loans in favour of credit institutions (see Notes 17 and 26).

III. OTHER NOTES (continued)

(12) Inventories

	31.12.2024 EUR	31.12.2023 EUR
Raw materials and consumables	11 206 988	13 865 674
Finished goods and goods for sale	14 505 784	22 229 506
Work in progress	25 253	210 736
Reserves	(1 376 713)	(1 291 405)
	<u>24 361 312</u>	<u>35 014 511</u>

Inventories are recognised at net value less provisions for possible impairment. The movement of provisions is presented as follows:

	2024 EUR	2023 EUR
Provisions at the beginning of the year	1 291 405	1 406 246
Changes in provisions reflected in the Statement of Profit or Loss	85 308	(114 841)
Provisions at the end of the year	<u>1 376 713</u>	<u>1 291 405</u>

All of the Company's inventories are pledged under the Commercial Pledge Agreements as collateral for loans from credit institutions (see Notes 17 and 26).

(13) Trade receivables

	31.12.2024 EUR	31.12.2023 EUR
Trade receivables	1 648 537	1 916 037
Expected credit loss provision	(293 794)	(285 588)
	<u>1 354 743</u>	<u>1 630 449</u>

For additional information on trade receivables, see Note 28.

III. OTHER NOTES (continued)

(14) Other assets

	31.12.2024 EUR	31.12.2023 EUR
Financial assets		
Current		
Advance payments for goods and services	198 744	297 079
Other receivables	6 397 068	3 991 340
	6 595 812	4 288 419
Non-financial assets		
Non-current		
Deferred expenses	-	9 531
Other receivables	38 344	150 413
	38 344	159 944
Current		
Deferred expenses	156 526	172 026
Accrued revenue	6 628	6 628
	163 154	178 654
Other non-current assets	38 344	159 944
Other current assets	6 758 966	4 467 073

As of 31 December 2023, the balance of other receivables was EUR 3,991 thousand included a debt for the sale of a warehouse building in Rīga, Lapeņu Street. In 2024, the debt was fully repaid. As of December 31, 2024, the balance of other receivables in the amount of EUR 6,397 thousand includes advance payments to the Parent Company.

(15) Share capital

The registered and fully paid share capital as of 31 December 2024 and 31 December 2023 was EUR 10 495 660. It consists of 7 496 900 ordinary shares with a nominal value of EUR 1.40 per share.

All shares give each shareholder equal rights to receive dividends and liquidation quotas and to vote at the Shareholders' Meeting. One share equals 1 vote at the Shareholders' Meeting. The Company has 5 791 900 dematerialised shares. Shares are registered with the central securities depository Nasdaq CSD SE. The Company does not have any shares held by the Company itself or by a third party on behalf of the Company. Members of the Company Board and Council do not own shares. Shares are not convertible and/or exchangeable and are not guaranteed.

The shares are publicly traded and listed on the Nasdaq CSD SE Baltic Secondary List. At the end of the reporting year, there were 5 791 900 shares in public circulation. The shares are registered in the Republic of Latvia. Their ISIN code is LV0000100808. The Company also has 1 705 000 dematerialised shares with the ISIN code LV0000102150. The total number of shareholders of the Company exceeds 10 000.

All shares owned by the major shareholder Amber Beverage Group Holding S.à r.l., as well as any shares that Amber Beverage Group Holding S.à r.l. may acquire in the future, are pledged under the Commercial Pledge Agreement as security for loans in favour of lending banks (see Note 17).

III. OTHER NOTES (continued)

(16) Reserves

	31.12.2024 EUR	31.12.2023 EUR
Special purpose fund reserve**	5 311 774	5 311 774
Share capital denomination reserve	171 468	171 468
Reorganisation reserve*	(3 164 419)	(3 164 419)
	2 318 823	2 318 823

* In 2015, the Company acquired a real estate management company Daugavgrivas 7 SIA from an SPI Group related party. After the acquisition, in order to reduce the administrative burden of governance of two companies, the Company decided to merge with a subsidiary. As a result of the acquisition and reorganisation of a subsidiary, a negative reorganisation reserve of EUR 3 164 419 was created for the Company.

** On 8 September 2016, the Extraordinary Shareholders' Meeting of the Company adopted amendments to the Company's Articles of Association, which provide for the establishment of a special purpose fund reserve in the amount of EUR 5 311 774. The reserve is intended for the development of real estate and reorganisation-related projects and for the mitigation of risks associated with these projects. The special purpose reserve in the amount of EUR 5 311 774 was created with shareholders' contributions and was included in the Company's equity.

(17) Borrowings and lease liabilities

	31.12.2024 EUR	31.12.2023 EUR
Non-current		
lease liabilities (see Note 26)	1 041 136	1 903 137
	1 041 136	1 903 137
Current		
AS Luminor Bank	-	269 276
Lease liabilities (see Note 26)	1 389 900	976 009
	1 389 900	1 245 285
Total borrowings and lease liabilities	2 431 036	3 148 422

III. OTHER NOTES (continued)

(18) Taxes and mandatory state social insurance contributions

	31.12.2024 EUR	31.12.2023 EUR
Excise duty	22 331 307	29 388 476
Value added tax	4 173 095	4 349 017
Mandatory national social insurance contributions	706 449	935 095
Personal income tax	418 874	469 192
Other taxes	15 931	13 183
	27 645 656	35 154 963

Considering that the actual repayment terms from certain cooperation partners are slower (mainly due to slower economic growth), AS Amber Latvijas Balzams cannot comply with all statutory tax deadlines, but the Company is actively cooperating with the SRS, as a result of which an agreement has been reached on the debt repayment schedule.

The Company's tax liabilities as at 31 December 2024 include postponed tax liabilities of EUR 13.689 thousand (EUR 10.571 thousand in excise duty, EUR 3.118 thousand in other taxes), which the Company has committed to repay in full by 31 January 2026. The Company's other current tax liabilities were and are being fully paid in accordance with the relevant tax payment schedule set out in Latvian laws.

(19) Other liabilities

	31.12.2024 EUR	31.12.2023 EUR
Accrued liabilities	1 274 623	1 058 099
Vacation accrual	450 347	466 526
Remuneration	413 433	456 809
Other liabilities	238 089	310 960
	2 376 492	2 292 394

(20) Auditor's fee

	2024 EUR	2023 EUR
Financial statements audit fee	53 281	36 361
	53 281	36 361

III. OTHER NOTES (continued)

(21) Average number of employees in the company

	2024	2023
The average number of employees in the Company in the reporting year:		
Council members	4	5
Board members	1	2
Other employees	423	546
	<u>428</u>	<u>553</u>

(22) Remuneration to the Management

	2024	2023
Remuneration	300 040	368 118
Mandatory national social insurance contributions	40 685	86 839
	<u>340 725</u>	<u>454 957</u>

(23) Transactions with related parties

As at 31 December 2024, the Company's majority shareholder (Parent Company), which owns 89.99% of the shares, is Amber Beverage Group Holding S.à r.l. (Company registered in Luxembourg). The parent company of the Group is SPI Group Holding Ltd. (a company registered in Cyprus) with beneficial owner Yuriy Shefler. The Company's related parties are shareholders who could control the Company or who have significant influence over the Company in making economic decisions, the Company management staff, including Members of the Council and close family members of any of the above-mentioned persons, as well as legal entities in which these persons have control or significant influence.

For additional information on guarantees, see Note 26.

a) Related receivables

	31.12.2024	31.12.2023 (Restated*)
	EUR	EUR
Other related companies	66 248 913	64 898 674
Provisions for doubtful debts *	(16 913 204)	(15 981 969)
	<u>49 335 709</u>	<u>48 916 705</u>

* For additional information on adjustments, see Note 30.

Related party receivables arise from the sale of goods and services provided. These receivables are not interest-bearing under IFRS 9. The credit risk of related party receivables is essentially the same as the credit risk of the Company. Therefore, the relevant probability of default indicators have been applied in determining the Company's expected credit losses (ECL) taking into account the financial position of the related party and the expected settlement. The Management has assessed related party receivables and concluded that the credit risk will not increase significantly. Accordingly, at the end of the reporting period, the Company has created provisions of EUR 16,913 thousand.

As at 31 December, the Company has the following related party receivables:

	31.12.2024 EUR	31.12.2023 EUR
S.P.I. Spirits (Cyprus) Ltd.	35 633 071	30 703 582
Amber Beverage Group SIA	98 902	397 408
Amber Distribution Latvia SIA	15 545 382	17 850 048
Amber Distribution Lithuania UAB	337 786	886 536
Amber Distribution Estonia OU	55 639	254 267
Amber Beverage UK Ltd	817 638	2 488
Amber Beverage Australia Pty Ltd	-	5 983
Amber Beverage Austria GmbH	190 437	77 260
Amber Beverage Germany GmbH	439 028	628 377
Amber Production Tequila S.A. de C.V	45 156	29 284
Amber Production Remedía OÜ	581 532	502 524
Amberbev International Ltd.	12 212 686	12 184 769
ABG Real Estate SIA	4 560	355 043
Interbaltija Amber SIA	178 521	653 181
Propiedad de Arinzano, S.L.U.	737	737
WW Equity House Trading Limited	(2 618)	337 467
Stoli Group S.a.r.l.	110 456	29 720
	66 248 913	64 898 674

b) Related payables

	31.12.2024 EUR	31.12.2023 EUR
Parent company	-	472 040
Other related companies	885 489	3 941 482
	885 489	4 413 522

As at 31 December, the Company has current payables to the following related companies:

	31.12.2024 EUR	31.12.2023 EUR
S.P.I. Spirits (Cyprus) Ltd.	-	3 208 706
Amber Beverage Group SIA	387 536	326 268
Amber Beverage Group Holding S.à r.l.	-	472 040
Amber Production Remedía OÜ	-	28
Amber Production Tequila S.A. de C.V	374 162	315 149
Propiedad de Arinzano SLU	93 060	48 540
WW Equity House Trading Limited	30 731	42 791
	885 489	4 413 522

III. OTHER NOTES (continued)

(23) Transactions with related parties (continued)

c) Sales of goods and services to related companies

	2024 EUR	2023 EUR
Other related companies	71 632 343	88 881 560
	<u>71 632 343</u>	<u>88 881 560</u>

d) Purchase of goods and services from related companies

	2024 EUR	2023 EUR
Parent company	4 307 880	4 287 469
Other related companies	7 704 608	22 110 886
	<u>12 012 488</u>	<u>26 398 355</u>

e) Non-current loans to related companies

	31.12.2024 EUR	31.12.2023 EUR
Parent company	35 287 497	31 787 497
	<u>35 287 497</u>	<u>31 787 497</u>

The loan granted to the Parent Company Amber Beverage Group Holding S.à r.l. will mature on 31 December 2026. The loan currency is EUR with a fixed interest rate of 3%.

f) Current loans to related companies

	31.12.2024 EUR	31.12.2023 EUR
Amber Beverage Group Holding S.à r.l.	41 328 088	46 311 229
S.P.I. Spirits (Cyprus) Ltd.	829 683	829 683
	<u>42 157 771</u>	<u>47 140 912</u>

Current loans to related companies include the positive balance of Amber Beverage Group Holding S.à r.l. as the Group's account holder in amount of EUR 38.9 million and received % from the loan in amount of EUR 2.42 million.

In addition, an advance payment has been made to the Parent Company for goods and services, as reflected in Note 14.

III. OTHER NOTES (continued)

(24) Right-of-use assets

	Buildings and structures EUR	Machinery and equipment EUR	Total EUR	Lease liabilities EUR
31 December 2022	1 118 314	648 292	1 766 606	1 529 764
Impact on change in assumptions	376 904	-	376 904	376 904
Acquisitions	-	1 319 259	1 319 259	1 771 727
Reclassification	-	961 088	961 088	-
Depreciation	(497 172)	(206 121)	(703 293)	-
Interest expense	-	-	-	99 640
Interest paid	-	-	-	(153 991)
Payments made	-	-	-	(744 898)
31 December 2023	998 046	2 722 518	3 720 564	2 879 146
Impact on change in assumptions	164 594	-	164 594	164 594
Acquisitions	683 155	3 270	686 425	686 425
Reclassification	-	-	-	-
Depreciation	(844 585)	(256 940)	(1 101 525)	-
Interest expense	-	-	-	148 931
Interest paid	-	-	-	(178 284)
Payments made	-	-	-	(1 269 776)
31 December 2024	1 001 210	2 468 848	3 470 058	2 431 036

For the breakdown of lease liabilities by repayment terms, see Note 17.

(25) Contingent liabilities

Contingent tax liabilities

When distributing profits earned after 1 January 2018, the Company will calculate the corporate income tax at the rate of 20/80 of the net amount of dividends payable to the shareholders. The total contingent tax liability as at 31 December 2024 is EUR 13.5 million (31.12.2023: EUR 12.2 million).

III. OTHER NOTES (continued)

(26) Guarantees and pledged assets

The Company, together with other Group companies, has provided security for liabilities of the Parent company, Amber Beverage Group Holding S.à r.l., to AS Luminor Bank Latvian branch under an overdraft agreement of 19 December 2018, with the maximum overdraft limit of EUR 22.7 million.

The Company, together with other Group companies, has provided security for the liabilities of the Parent Company, Amber Beverage Group Holding S.à r.l., to AS Luminor Bank Latvian branch relating financing of the purchase of Fabrica de Tequilas Finos S.A. de C.V. (since 28 April 2022 – Amber Production Tequila S.A. de C.V.), which is a tequila manufacturing company in Mexico, which arises out of a novation agreement signed on 19 December 2018. The maximum secured limit is EUR 9.2 million. In January 2024, the loan was fully repaid and the Company's collateral was fully redeemed.

Refinancing the Group's liabilities, on 3 December 2019, the Company's Parent Company Amber Beverage Group Holding S.à r.l. signed a loan agreement for EUR 27 million with Credit Suisse AG. The Company has five real estate properties pledged as collateral for this loan. The outstanding loan amount as at 31 December 2024 is EUR 19 million.

On 11 April 2023, Amber Beverage Group Holding S.à r.l. signed a loan agreement for EUR 10 million with AS Rietumu Banka with maturity date on 10 April 2028. To secure this loan, the Company, together with other Amber Group companies, has pledged the use of trademarks in the Baltic States as security.

On 30 May 2023, the Company's Parent company, Amber Beverage Group Holding S.à r.l., in cooperation with AS Signet Bank, issued four-year bonds worth EUR 30 million to raise funds for the construction of the automated warehouse implemented by the related company, SIA ABG Real Estate, and in which the Company plans to become the anchor tenant of the warehouse. The Company, together with other Group companies, has issued a guarantee to secure the liabilities arising from the bonds issued by Amber Beverage Group Holding S.à r.l.

To secure the above-mentioned credit liabilities of the Parent Company, the Company issued pledges on movable property, trademarks, mortgages on most of the real estate and guarantees.

The Company receives compensation from the Parent Company for the collateral provided in the form of a fixed percentage of the total value of the collateral. If a collateral is provided for one loan by several companies at the same time, the interest rate is calculated proportionally, based on the value of the guarantors' balance sheet assets.

The Company's management has assessed the fact that the above-mentioned loans to the Company's parent company are subject to covenants regarding meeting certain financial indicators and certain reporting dates. The Company's management is aware that the parent company had not met individual covenants as at 31.12.2024. However, as regards those issued guarantees and pledges, the Company's management made sure that the parent company has received the covenant waiver letters from all banks stating that the banks would not be accelerating those loans as at the reporting date. Having consistently assessed the credit risk associated with the issued guarantees and the aforementioned mitigating circumstances, the Company does not create provisions for these guarantees.

For information on the carrying amount of pledged real estate and assets, see Notes 12, 13 and 24.

III. OTHER NOTES (continued)

(27) Financial assets and financial liabilities

This Note provides information about the Company's financial instruments, including a summary of all financial instruments held by the Company, specific information about each financial instrument, and information about the determining fair value of the instruments, including uncertainties in judgments and estimates. The Company has the following financial instruments at its disposal:

31 December 2024

	Financial assets at amortised purchase value	Financial liabilities at amortised purchase value	Total
	EUR	EUR	EUR
Financial assets			
Loans to related companies	77 445 268	-	77 445 268
Cash and cash equivalents	12 367	-	12 367
Trade receivables	57 286 264	-	57 286 264
	134 743 899	-	134 743 899
Financial liabilities			
Borrowings	-	-	-
(i) Lease liabilities	-	(2 431 036)	(2 431 036)
(ii) Borrowings from credit institutions	-	-	-
Trade payables	-	(13 019 300)	(13 019 300)
Taxes and mandatory national social insurance contributions	-	(27 645 656)	(27 645 656)
Dividends unpaid	-	(4 498 140)	(4 498 140)
	-	(47 594 132)	(47 594 132)

31 December 2023

	Financial assets at amortised purchase value	Financial liabilities at amortised purchase value	Total
	EUR	EUR	EUR
Financial assets			
Loans to related companies	78 928 409	-	78 928 409
Cash and cash equivalents	110 519	-	110 519
Trade receivables	54 835 573	-	54 835 573
	133 874 501	-	133 874 501
Financial liabilities			
Borrowings	-	-	-
(i) Lease liabilities	-	(2 879 146)	(2 879 146)
(ii) Borrowings from credit institutions	-	(269 276)	(269 276)
Trade payables	-	(19 920 309)	(19 920 309)
Taxes and mandatory national social insurance contributions	-	(35 154 963)	(35 154 963)
Dividends unpaid	-	-	-
	-	(58 223 694)	(58 223 694)

The Company's exposure to various risks associated with financial instruments is disclosed in Note 28.

III. OTHER NOTES (continued)

(28) Financial and capital risk management

Fair value of financial assets and financial liabilities

Due to the short-term nature of cash and cash equivalents, receivables, payables and other current financial assets and liabilities, their carrying amounts largely approximate their fair values. The fair values of non-current financial assets and liabilities do not differ significantly from their carrying amounts. The fair value was calculated based on discounted cash flows using the current lending rate. The fair value calculation corresponds to Level 3 hierarchy due to the inclusion of unobservable inputs in the calculation, including counterparty credit risk amount.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: Quoted prices (unadjusted) in an active market for identical assets and liabilities
- Level 2: Other valuation techniques in which all inputs that significantly affect the calculation can be obtained directly or indirectly based on market data
- Level 3: Methods where the valuation techniques involve inputs not based on observable data and the unobservable inputs have a significant impact on the valuation of the instruments.

All Company's financial assets and financial liabilities are classified as Level 3, except for cash and cash equivalents, which are classified as Level 2.

31 December 2024

	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total EUR
Financial assets				
Loans to related companies	-	-	77 445 268	77 445 268
Cash and cash equivalents	-	12 367	-	12 367
Trade receivables	-	-	57 286 264	57 286 264
	-	12 367	134 731 532	134 743 899
Financial liabilities				
Borrowings				
(i) Lease liabilities	-	-	(2 431 036)	(2 431 036)
Trade payables	-	-	(13 019 300)	(13 019 300)
	-	-	(15 450 336)	(15 450 336)

31 December 2023

	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total EUR
Financial assets				
Loans to related companies	-	-	78 928 409	78 928 409
Cash and cash equivalents	-	110 519	-	110 519
Trade receivables	-	-	70 817 542	70 817 542
	-	110 519	149 745 951	149 856 470
Financial liabilities				
Borrowings				
(i) Lease liabilities	-	-	(2 879 146)	(2 879 146)
(ii) Borrowings from credit institutions	-	-	(269 276)	(269 276)
Trade payables	-	-	(35 154 963)	(35 154 963)
	-	-	(58 223 694)	(58 223 694)

III. OTHER NOTES (continued)

(28) Financial and capital risk management (continued)

Currency risk

The Company operates internationally and is exposed to foreign currency risk arising primarily from purchases of raw materials and consumables and sales of goods in the United States.

The Company's significant open currency positions at the end of the reporting year are:

	31.12.2024 EUR	31.12.2023 EUR
Financial assets, USD	19 338	249 107
Financial liabilities, USD	(10 519)	(176 623)
Open position USD, net	<u>8 819</u>	<u>72 485</u>
Open position in USD converted to EUR, net	<u>8 489</u>	<u>65 599</u>

A sensitivity analysis of the impact of possible moderate exchange rate changes on existing financial assets and liabilities in foreign currencies is provided below. With all the other factors which remain constant, the impact on the Company's profit before tax is as follows:

	2024		2023	
	Exchange rate changes	Effect on equity EUR	Exchange rate changes	Effect on equity EUR
USD	+10 %	(849)	+10 %	(6 560)
	-10 %	849	-10 %	6 560

Interest rate risk

The Company is exposed to interest rate risk because most of its liabilities bear interest, which is calculated at a variable interest rate.

	31.12.2024 EUR	31.12.2023 EUR
Financial liabilities with variable interest rate, EUR	(2 431 036)	(3 148 422)
Open position	<u>(2 431 036)</u>	<u>(3 148 422)</u>

A sensitivity analysis of the impact of possible moderate changes in interest rates on existing financial assets and liabilities is provided below. The variable interest rate in the current contracts is three-month EURIBOR. With all the other factors which remain constant, the impact on the Company's profit before tax is as follows:

	2024		2023	
	Base point increase/decrease	Effect on profit before tax EUR	Base point increase/decrease	Effect on profit before tax EUR
EUR	+30	(8 369)	+30	(7 887)
	-30	8 369	-30	7 887

III. OTHER NOTES (continued)

(28) Financial and capital risk management (continued)

Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate depending on other market factors. The Company's management continuously monitors the market fluctuations and acts accordingly, but does not engage in any hedging transactions.

Credit risk

Financial assets that potentially expose the Company to a certain degree of credit risk concentration are mainly cash, trade receivables, related party receivables and current and non-current loans issued to them.

The company's internal policy ensures that goods are sold and services are provided to the customers with an appropriate credit history. If an independent rating is not available, risk control assesses the credit quality of the customer taking into account their financial position, past experience and other factors.

Individual risk limits are determined based on the internal or external ratings in accordance with the limits set by the Company. The Management regularly monitors customers' compliance with the credit limits. The Company's partners in cash transactions are domestic and foreign financial institutions with an appropriate credit rating.

Within the Credit Risk Management Policy, the Company regularly monitors transactions with related companies and additionally assesses their overall financial position within the Group. Provisions for expected credit losses on debts of related companies are being created by individually assessing the financial position of each related company taking into account the overall position of their current and non-current liabilities within the entire Group.

Maximum exposure to credit risk:

	31.12.2024 EUR	31.12.2023 EUR
Loans issued to related companies	77 445 268	78 928 409
Trade receivables - related companies	49 335 709	48 916 705
Trade receivables - unrelated parties	1 354 743	1 630 449
Other current assets	6 595 813	4 288 419
Cash	12 367	110 519
	134 743 900	133 874 501

The Company's credit risk concentration arises from the receivables from related companies: As at 31 December 2024, 99% of total trade receivables is related to related companies (31.12.2024: 96%).

Trade receivables

To measure the expected credit losses (ECL), trade receivables were grouped based on their shared credit risk characteristics and the days past due. The expected credit loss rates are based on the payment trends and the historical credit losses before 31 December 2024. The historical loss rates were adjusted to reflect the current and future macroeconomic factor data which affect the customers' ability to settle their accounts receivable. Based on that, the provisions for trade receivables as at 31 December 2024 and 31 December 2023 were determined as follows:

III. OTHER NOTES (continued)

(28) Financial and capital risk management (continued)

Trade receivables (continued)

31.12.2024	Total	Payment not overdue	1-90 days	91-180 days	181-270 days	270-360 days	>361 days
Gross trade receivables	1 648 537	1 000 257	301 958	50 523	111 450	0	184 349
ECL rate		0,23%	0,6%	10%	90%	90%	100%
ECL provisions	(293 794)	(2 272)	(1 816)	(5 052)	(100 305)	0	(184 349)
31.12.2023	Total	Payment not overdue	1-90 days	91-180 days	181-270 days	270-360 days	>361 days
Gross trade receivables	1 916 037	1 294 444	275 849	64 470	64 677	32 248	184 349
ECL rate		0,46%	0,6%	10%	90%	90%	100%
ECL provisions	(285 588)	(5 904)	(1 655)	(6 447)	(58 209)	(29 024)	(184 349)

The movement of the provisions for expected credit losses (ECL) at the end of the period against the provisions for expected credit losses and the beginning of the period is shown in the table below:

	31.12.2024	31.12.2023
	EUR	EUR
Trade receivables	1 648 537	1 916 037
ECL provision	<u>(293 794)</u>	<u>(285 588)</u>
	<u>1 354 743</u>	<u>1 630 449</u>

Maturity analysis of the related companies' trade receivables:

	Net value of receivables	Provisions	Gross receivables	of which: Payment not overdue	Payment is overdue		
					< 90 days	90-180 days	> 180 days
31.12.2024							
Gross related companies	49 335 709	(16 913 204)	66 248 913	22 386 488	13 323 894	8 842 213	21 696 318
31.12.2023							
Gross related companies	48 916 705	(15 981 969)	64 898 674	24 738 876	13 332 401	13 628 039	13 199 358

The movement of the provisions for expected credit losses (ECL) of related companies at the end of the period against the provisions for expected credit losses and the beginning of the period is shown in the table below

Trade receivables	50 266 944	53 659 904
ECL provision	<u>(931 235)</u>	<u>(4 743 199)</u>
	<u>49 335 709</u>	<u>48 916 705</u>

III. OTHER NOTES (continued)

(28) Financial and capital risk management (continued)

Liquidity risk

The Company regularly monitors its liquidity status to ensure a positive current asset position for financing its main business activity, as well as using the lines of credit and loan resources granted to the Group, while scheduling repayment of debts to suppliers, short-term and long-term future cash flows are being developed and analysed. As at 31 December 2024, the Company's current assets exceeded its current liabilities by EUR 75 051 380 (31.12.2023: EUR 78 667 218).

A significant portion of this excess is secured by current assets of EUR 73 million from receivables from related parties and other related companies of the group. The increased operational, market and geopolitical risks associated with these financial assets include loan recovery risks. Additional sales drop risks in the US and uncertainties around the extra tariffs on exports to the US make the Company's management additionally wonder about the liquidity risk deterioration and, consequently, collectability of these receivables during 2025 and in the foreseeable future.

The Company's management has drawn up detailed cash flow forecasts and estimated that the Company will have sufficient current asset resources available in 2025 and 2026 to ensure stable liquidity in accordance with the Company's cash flow forecasts for the aforementioned forecast period.

The maturity structure of the financial liabilities of the Company based on non-discounted cash flow set forth in the agreements is as follows:

31 December 2024	Up to 1 year	From 2 to 5 years	Total contractual cash flows	Balance sheet amount
	EUR	EUR	EUR	EUR
Interest bearing borrowings	-	-	-	-
Lease liabilities	1 394 884	1 042 068	2 436 952	2 431 036
Trade payables to unrelated companies	12 133 811	-	12 133 811	12 133 811
Trade payables to related companies	885 489	-	885 489	885 489
	14 414 184	1 042 068	15 456 252	15 450 336

31 December 2023	Up to 1 year	From 2 to 5 years	Total contractual cash flows	Balance sheet amount
	EUR	EUR	EUR	EUR
Interest bearing borrowings	276 412	-	276 412	269 276
Lease liabilities	980 993	1 904 069	2 885 062	2 879 146
Trade payables to unrelated companies	15 506 787	-	15 506 787	15 506 787
Trade payables to related companies	4 413 522	-	4 413 522	4 413 522
	21 177 714	1 904 069	23 081 783	23 068 731

III. OTHER NOTES (continued)

(28) Financial and capital risk management (continued)

Capital management

The Company's management manages the capital structure on an ongoing basis. No changes were made to the capital management tasks, policies or processes during the reporting period.

The Company's management controls the external debt to equity ratio. In the reporting year, it was 2% (in 2023: 2%), which indicates the stability of the Company's capital management:

	31.12.2024 EUR	31.12.2023 EUR
Borrowings (non-current and current borrowings)	2 431 036	3 148 422
Cash and equivalents	(12 367)	(110 519)
Net borrowings	2 418 669	3 037 903
Equity	124 885 783	125 296 118
Total capital (equity and net borrowings)	127 304 452	128 334 021
Net liabilities to equity	2%	2%
Equity to total assets ratio	71%	67%

	Cash and cash equivalents	Non-current lease liabilities	Current lease liabilities	Current borrowings	Total
	EUR	EUR	EUR	EUR	EUR
Net debt 31.12.2022.	150 931	(887 555)	(642 209)	(579 980)	(1 958 813)
Cash flow	(40 412)	-	744 898	310 704	1 015 190
New lease agreements	-	(1 771 727)	-	-	(1 771 727)
Other changes	-	756 145	(1 078 698)	-	(322 553)
Net debt 31.12.2023.	110 519	(1 903 137)	(976 009)	(269 276)	(3 037 903)
Cash flow	(98 152)	-	1 117 765	269 276	1 288 889
New lease agreements	-	(1 771 727)	-	-	(1 771 727)
Other changes	-	2 633 728	(1 531 656)	-	1 102 072
Net debt 31.12.2024.	12 367	(1 041 136)	(1 389 900)	-	(2 418 669)

(29) Distribution of profit proposed by the Board

Distributable share of profit	EUR 4 087 805
Proposed profit distribution:	
- Retain	EUR 4 087 805

(30) Error correction

Error due to IFRS 9 application for expected credit losses (ECL) for the receivables from related companies.

During the reporting year, the Company identified an error in the calculation and recognition of the expected credit losses (ECL) in relation to the receivables from a related company. In the preceding reporting periods, the Company incorrectly assessed the recoverability of the aforementioned receivable and did not recognise an ECL provision as required by IFRS 9 Financial Instruments. This receivable was assessed as fully recoverable despite the elevated credit risk indicators.

As a result of this error, other receivables, as well as retained earnings items were reported at an increased value in the compared periods. The error was subsequently corrected retrospectively, in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, and the comparative information was adjusted accordingly.

Effect on the Company's financial statements

As a result of the error correction, the provisions for the expected credit losses in the amount of EUR 11 239 770 were recognised as of 1 January 2023 (in the opening balance sheet), and additional provisions of EUR 4 743 199 were recognised as of 31 December 2023.

The tables below summarise the effect of this correction on the Company's statement of financial position and consolidated statement of profit or loss and comprehensive income for the relevant reporting periods.

Statement of Financial Position

As at 31 December 2023	As previously reported	Error correction	Corrected
<i>Current assets</i>			
Related receivables	64 898 674	(15 981 969)	48 916 705
Total current assets	153 262 138	(15 981 969)	137 280 169

Equity

Retained earnings	128 375 717	(15 981 969)	112 393 748
Total equity	141 278 087	(15 981 969)	125 296 118

As at 1 January 2023 (opening balance)	As previously reported	Error correction	Corrected
<i>Current assets</i>			
Related receivables	60 108 353	(11 239 770)	48 868 583
Total current assets	141 400 653	(11 239 770)	130 160 883

Equity

Retained earnings	127 708 909	(11 239 770)	116 469 139
Total equity	140 611 279	(11 239 770)	129 371 509

Statement of Profit or Loss and Statement of Comprehensive Income

For the year ended on 31 December 2023

	As previously reported	Error correction	Corrected
Other operating expense	(782 679)	(4 743 199)	(5 525 878)
Profit for the reporting year	5 164 949	(4 743 199)	421 750

The Company's financial statements on pages 15 to 56, were signed on 30 April 2025 by:

On behalf of the Board:



Andrejs Višņausks
Chairman of the Board



Ināra Kondratoviča
Chief Accountant, SIA Amber Beverage Group

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INDEPENDENT AUDITOR'S REPORT