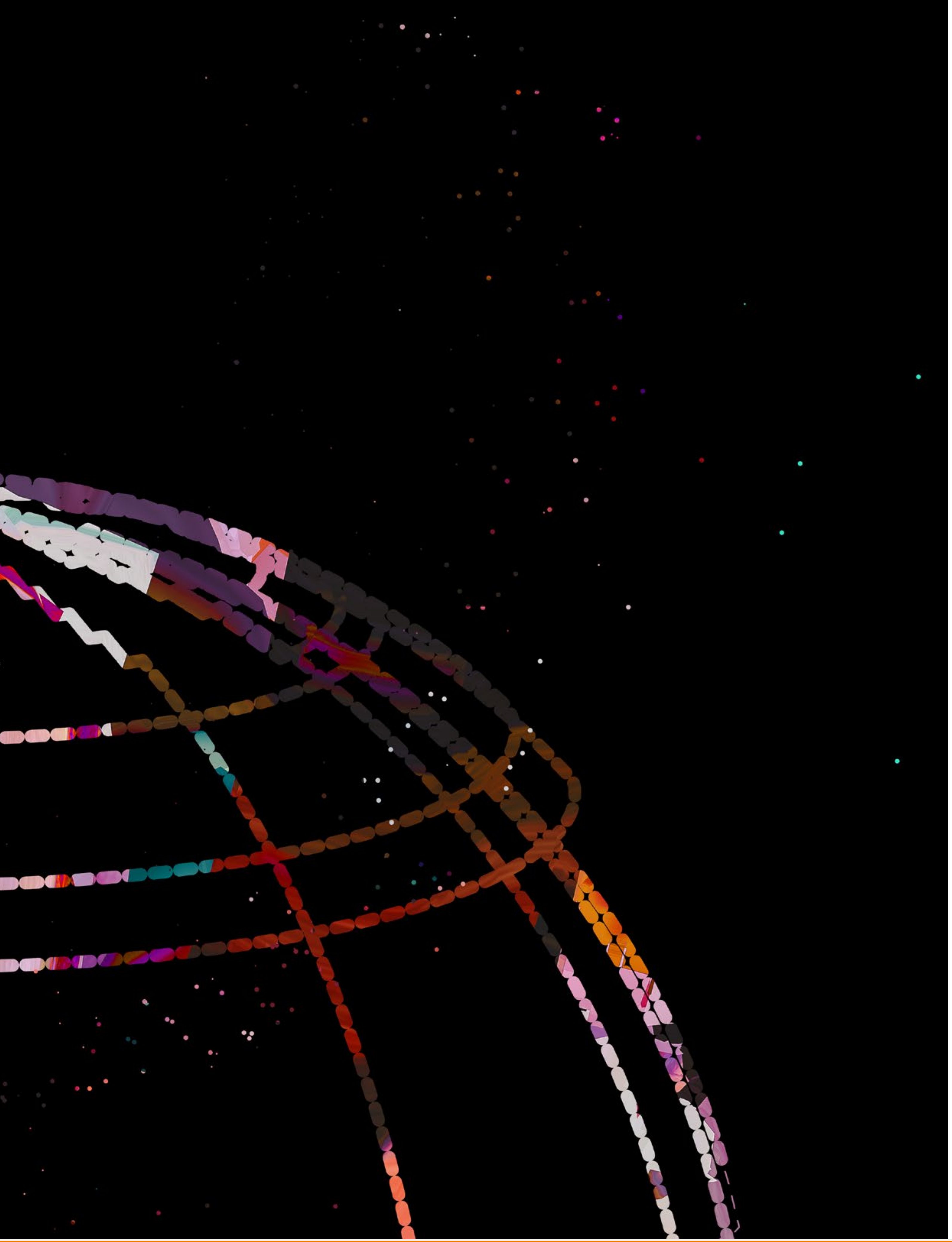
AMBER
BEVERAGE GROUP

Production Logistics Distribution Retail

Extraordinary Everyday

Annual Report 2019



AMBER BEVERAGE GROUP

Production Logistics Distribution Retail

LATVIJAS BALZAMS VEIKALI

AMBER DISTRIBUTION LATVIA

LATVIJAS BALZAMS

bravo alco

AMBER DISTRIBUTION ESTONIA

FABRICA DE TEQUILAS FINOS

INTERBALTIJA Fine Wine & Spirits

BENNET

TALVIS

VINOTHEK GOURMET VĪNI UN TO AKSESUĀRI

Cellar Trends

REMEDIA DISTILLERS

mountainspirits

ПЕРМАЛКО 1895

THINKSPIRITS

AMBER LOGISTICS

Strategic report

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The Group at a Glance

Amber Beverage Group (ABG) is a leading producer, distributor, logistics service provider and retailer of beverages. It operates internationally from its head office in Luxembourg and through its production and distribution companies in Russia, Mexico, the UK, Australia, Austria, and the Baltics, its historical home.

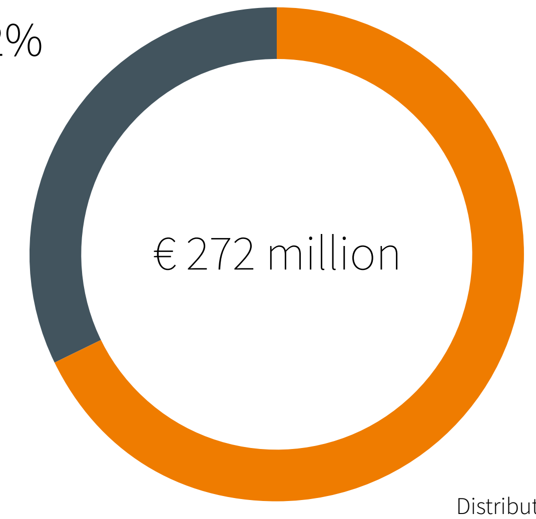
Our strategic choices

- Deliver quality and value to our consumers, customers and suppliers
- Strengthen our market positions in all key sectors by building and acquiring brands and companies
- Achieve operational effectiveness and efficiency by applying rigour to everything we do
- Build a truly effective international team with an ambitious, high performance culture
- Generate superior business value through relentless focus on performance

Net revenue 2019, excluding excise

Production

32%



Distribution

68%

Highlights

Volume	16.6m 9l cases sold
Core brands	products produced by ABG are sold in over 185 countries
Headquarters	ABG head office is located in Luxembourg, ABG global management team reports to Supervisory Board
Centralized functions	ABG management and Supervisory Board define, coordinate and oversee ABG's overall strategy and ensure governance and compliance of ABG affiliates

Volume

Volume, k 9lcs **16 563**

Reported movement ↑ 9%

Organic movement ↑ 9%

2019	16 563
2018	15 140
2017	10 070

Net revenue

Net sales, m **€272.1**

Reported movement ↑ 12%

Organic movement ↑ 18%

2019	272.1
2018	242.6
2017	211.6

Operating Profit

Operating profit, m **€16.5**

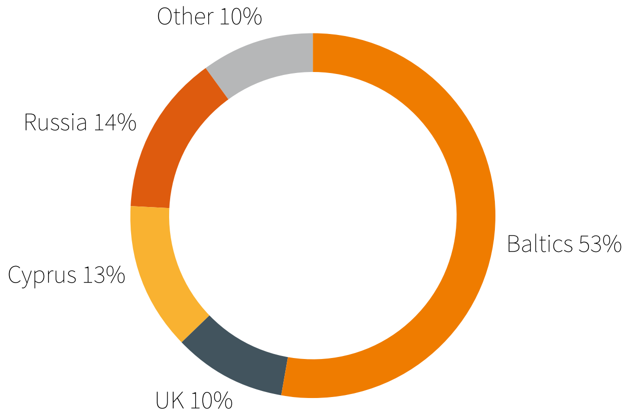
Reported movement ↓ -17%

Organic movement ↑ 10%

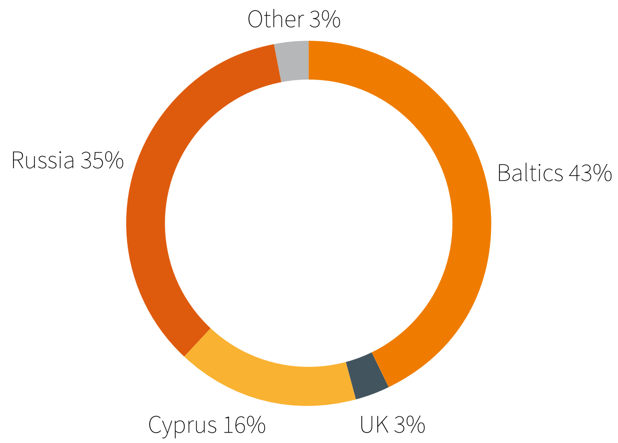
2019	16.5
2018 (normalized by one-off items)	19.8
2017	13.8

	Net revenue, mEUR	Volume, k9lcs	Headcount
Amber Beverage Group Revenue increase 12% Volume increase 9%	Production 32% **272.1** Distribution 68%	Production 53% **16 563** Distribution 47%	**2 084**
Production Revenue increase 9% Volume increase 7%	Rest of World 48% **87.96** Baltics 52%	Rest of World 68% **8 595** Baltics 32%	**1310**
Distribution Revenue increase 14% Volume increase 12%	Rest of World 26% **184.1** Baltics 74%	Rest of World 13% **7967** Baltics 87%	**701**

Sales by markets, 2019



Volumes by sales markets



ABG Milestones: the Origins

1752

Pharmacist Abraham Kunze creates his unique formula for the beverage which forms the base of Riga Black Balsam®

1847

In 1847, Albert Wolfschmidt establishes the factory that produces Kunzen's Riga Black Herbal balsam

1894

The production of Moskovskaya® Vodka begins under the auspices of the Russian Empire's vodka monopoly

1900

Latvijas balzams begins operations and opens as Riga State Spirits Warehouse No.1

1948

Latvijas balzams begins production of Stolichnaya vodka

The formula was created in Russia ten years earlier in 1938

2003

SPI BV Regional Business Unit becomes ABG's leading shareholder

Stolichnaya vodka and Moskovskaya® Vodka are now bottled for the global market

2007

Paying particular attention to the distribution of products manufactured by the company, active expansion of Latvijas balzams export market takes place, adding 10 new countries

ABG Milestones: Building for the Future

2014

Amber Beverage Group is registered on October 24

Amber Logistics starts to provide logistic services

Cosmopolitan Diva® – an innovative and strategic export product – is launched

2015

ABG acquires Moskovskaya® Vodka brand

2016

Moskovskaya® Vodka is rolled out to 68 markets globally

ABG steps into tequila business by acquiring the tequila producer Fabrica de Tequilas Finos in Tequila, Mexico

2017

Rooster Rojo® tequila is launched for the rapidly growing global tequila category

ABG acquires shares in the UK distribution company Cellar Trends

ABG acquires majority stake of Talvis spirit distillery in Tambov, Russia

2018

ABG acquires majority stake of Permalko, 100% of Remedia and a majority stake in Think Spirits

ABG confidently enters the premium gin market with the new Cross Keys Gin® brand

Arnold (RobotOne) starts working in ABG companies

2019

ABG updates its strategy with an ambition to become TOP10 spirits industry leader

Riga Black Balsam® Espresso, Cross Keys Gin® Black Currant, Moskovskaya® Pink Vodka, Moskovskaya® Infusions, and Cosmopolitan Diva® Passion Fruit are launched in the market

ABG acquires 100% stake in Amberbev International Ltd, majority stake in Mountain Spirits group expanding in Austria, finalizes the acquisition of Cellar Trends, adds Vinothek Gourmet specialized retail store chain

Our vision

The active commitment of everyone at ABG was especially important in 2019 throughout all geographies we are present.

Statement of the Chairman of the Supervisory Board

Dear reader,

Since the establishment of Amber Beverage Group in late 2014, each and every year has been a year of great success. And I'm pleased that 2019 is not an exception and it has proved that ABG's #ExtraordinaryEveryday journey is on the right track. The Supervisory Board would particularly like to thank all employees of the ABG Group for their contribution.

Building the brand awareness of our core brands Moskovskaya® Vodka, Riga Black Balsam®, Cross Keys Gin®, Cosmopolitan Diva® and Rooster Rojo® tequila has continued to be one of the key targets for 2019. In addition, the Group under precise steering of the Board of Managers and Executive Team has worked hard to improve the customer experience through our distribution channels providing superior products from our production facilities in Latvia, Russia, Estonia and Mexico as well as through well-selected brand owners all over the world. The ABG strategy developed by the Board and approved by the Supervisory Board is to grow both organically and by the acquisition of new companies worldwide. In 2019 this has resulted in the acquisition of experienced distributor Mountain Spirits in Austria and retail chain operator Interbaltija Arka in Latvia as well as aligning our international route-to-market via including Amberbev International in ABG.

In our capacity as the Supervisory Board, we provided the Board of Managers with in-depth advice on matters relating to the management and further development of the ABG Group and monitored the Board of Managers' running of the business, both continuously and thoroughly. We have continued to improve performance while building a culture of which we can all be proud. There is, of course, more to do and we are very aware of the current volatility in trade and geopolitics. Nevertheless, for the benefit of our stakeholders, we shall continue to focus on delivering sustainable performance and long-term value, which are the primary areas of focus for the Board of Managers and executive leadership team.

Mark Garber

Chairman of the Supervisory Board
29 May 2020

OUR PURPOSE

To create the #ExtraordinaryEveryday

Seymour Paul Ferreira
Chairman of the Board of Managers and ABG CEO

Chairman's Statement 2019

A significant milestone

Dear reader,

Five years have passed since we established Amber Beverage Group (ABG). During this time ABG has transformed from a Baltic enterprise into a global organization with a world-class infrastructure. ABG has continued to develop and grow its heritage businesses as well as actively acquire and successfully integrate new production and distribution companies in order to establish a firm international footing.

At the end of 2019, ABG has grown to combine five production companies in Latvia, Estonia, Mexico and Russia and seven distribution companies in Latvia, Lithuania, Estonia, the United Kingdom, Australia and Austria. We also actively engage with consumers through our retail chains in Latvia and Lithuania and provide specific logistic solutions at pan-Baltic level through our Logistics business unit.

In 2019, ABG delivered outstanding financial results; EUR 272 million of net revenues (+12% vs 2018) and EUR 30.2 million of EBITDA (earnings before interest, tax, depreciation and amortisation charges) (+7.7% vs 2018) showing that our core strategy is working and with the right focus and team we can continue to deliver the Extraordinary Everyday.

ABG operates in a highly competitive environment and faces pressure from both local and international spirits producers. This is why our strategy is to drive value by boldly acquiring businesses in key foothold markets. We build on our core strategy of growing organically and through acquisition.
In 2019 we finalized the 100% acquisition of the UK-based drinks distributor Cellar Trends, and by doing so, we not only gained their experience of serving all sectors of the UK drinks trade but also diversified our corporate DNA. Adding Cellar Trends to ABG has helped us to grow into a truly global beverage company. We are constantly seeking growth and with Cellar Trends on board we will be able to build an even more effective UK team with an ambitious, high performance culture.

In August 2019 we added another company to the ABG family - a specialized alcoholic beverage chain Vinothek Gourmet, which offers excellent wines, sparkling and strong spirits in the largest shopping centres in Riga, Latvia. In the Baltics ABG owns a network of 68 stores managed by Latvijas balzams stores and Vinothek Gourmet in Latvia and Bravo Alco retail outlets in Lithuania. The shops offer a wide range of alcoholic beverages, representing our own brands as well as a quality selection of imported beverages.

Then in December 2019 we acquired a majority stake in the Austrian distribution and wholesaler, Mountain Spirits. Since its establishment in 2004, Mountain Spirits has expanded its product range with well-known international brands and exceptional premium products, which will now be complemented by ABG's core brands. We believe that Mountain Spirits, a boutique and highly respected Austrian distribution company, will provide us with a powerful footprint in Central Europe and with the ability to reach into the strategically important Alps.

In many aspects when we merge with the companies we add to our family, they become part of our new DNA and we become part of their new future — it's a collaboration. We don't absorb, we don't take over; we want them to be part of our future. In most cases the management of the companies we have bought stays on board. Our acquisition strategy is built on the notion that the experience will allow us to grow and become better at what we do.

2019 was, therefore, a very busy year not only for acquisitions, but also as we ensured the successful consolidation of our previous M&A activities. Meanwhile, we continued to drive our aggressive growth strategy for our domestic and international core brands.

Amber Beverage Group always puts the consumer at the heart of everything we do. At the core of our consumer focus is a drive to deliver extraordinary brand experiences. We have developed a deep understanding of the states of customer needs and our local teams continuously generate actionable insights in respect to consumer usage and attitudes, lifestyle preferences and consumption occasions in each of our focus markets. We leverage these insights to ensure we deliver consumer and customer value propositions across a wide scope of profitable consumption occasions, either with our own brands, partner brands or private labels.

In 2019 we also introduced several new products to the market. Our Moskovskaya® Vodka, the iconic brand with over 100 years of vodka making tradition, has released an answer to the global pink gin trend – Moskovskaya® Pink Vodka. This was a very busy year for the brand as we rejuvenated bottle design, brought a modern twist to Russian infusion traditions by releasing four unique and authentic Moskovskaya® Infusion alternatives, and rolled out an exciting bold and challenging global marketing campaign.

One of Latvia's most legendary brands – herbal bitter Riga Black Balsam® – sought to target the ever-growing popularity of the global coffee trend. At the beginning of the summer 2019, we launched the fifth version of the ancient beverage – Riga Black Balsam® Espresso. We are confident that the initial success of the new balsam flavour in the Baltics will be replicated in our global markets.

Last year we also released a new premium gin to unlock the essence of the Baltic region with a blush of black currant and provide the unique taste of handcrafted Cross Keys Gin®. It's another take on the pink gin trend, but our Cross Keys is more sophisticated with its deep purple tinge and I'm sure it will bring a great twist to all gin cocktails. Cross Keys Gin® additional ingredient is our signature clay flask, which allows the liquid to mature in bottle. For over 265 years the pure, fresh taste of our drinks has been preserved using natural clay bottles and that is why we launched in the UK the world's first clay bottle-aged cocktail competition organized by the premium gin brand Cross Keys Gin®.

We are constantly innovating our products and sales channels to get closer to our customers and their needs wherever they are. With roots in the business stretching back over a century, it is a challenge to keep pace with the ever-changing marketplace, while investing in qualities that matter. However, our insight into the local markets and our technological capabilities give us a very strong competitive advantage. ABG has steadily maintained a focused behind the development of its core brands Moskovskaya® Vodka, Rooster Rojo® tequila, Cross Keys Gin®, Riga Black Balsam® and Cosmopolitan Diva®.

We will also continue to improve our distribution and production capabilities and seek additional business acquisition opportunities where they can add value to ambitions.

Having said that the commercial environment in 2019 was quite challenging. In the UK Brexit provide an unwelcome distraction and we also experienced a so-called Latvian - Estonian alcohol excise war, where in response to Estonia's decision to reduce the rate of excise duty on some alcohol by 25% from 1 July, Latvia also adopted amendments to the excise duty - a 15% reduction on spirits from 1 August. In Australia the wildfires hampered out business. And in Lithuania the government tighten controls on alcohol trade, and several countries banned the sale of beverages outside of designated stores, and in countries that sell beverages at grocery stores, strong and low-abv spirits were excluded from online sales

The ABG team has shown it has the ability to excel across the business despite a very challenging environment and it is many thanks that we recognise the dedication, commitment and enthusiasm of our newly international team. The achievements of 2019 and the foundation we have created has enabled us to renewed our ambition for the business setting out an updated plan to grow our business over the next five years.

We launched a revised purpose for the company captured in the headline #ExtraordinaryEveryday and redefined our ambition with the goal of becoming a Top 10 European alcoholic beverage producer. We will achieve this by continuing to focus on our five core growth pillars: Performance, Brand Innovation, Quality of Activation, Talent development and Internal Process. And our operating values: Tenacity, Entrepreneurship, Fun, Speed, Excellence and Teamwork.

And by continuing to optimise our historic companies and invest in driving our core and new brands with Moskovskaya® Vodka set to deliver 1 million 9 L cases by 2024, driving organic growth of Riga Black Balsam® and launching Cross Keys Gin® and Rooster Rojo® tequila in new markets and by further accelerating Cosmopolitan Diva®, across the world..

After the reporting period, the work of all ABG companies was significantly hit due to the COVID-19 crisis. These difficult times mean that we are having to be different, to act confidently and to challenge ourselves and our companies to be better, faster and more creative than ever before. ABG have been proactively focused on realigning our businesses to work within the new reality and to ensure that we are prepared and ready to go to market with renewed enthusiasm when the crisis abates. All business units at ABG were capable of adapting quickly, producing new products like hand and surface sanitisers, new distribution channels were obtained, our e-commerce expanded significantly and several of our core brand's marketing activities were brought online. I have been very impressed by the hard work and determination across the whole ABG family, our partners, suppliers and customers that I am convinced we will come out of this stronger and bolder than ever before.

Thank you for your continued interest and trust in the Amber Beverage Group.

Seymour Paul Ferreira

Chairman of the Board of Managers and ABG CEO
29 May 2020

OUR GROWTH

ABG has ambitious plans for future organic growth driven by continuous investment in cutting edge IT technologies and continuing improvements of our internal process.

Jekaterina Stuģe
ABG Chief Financial and Operations Officer

Statement of the Chief Financial Officer

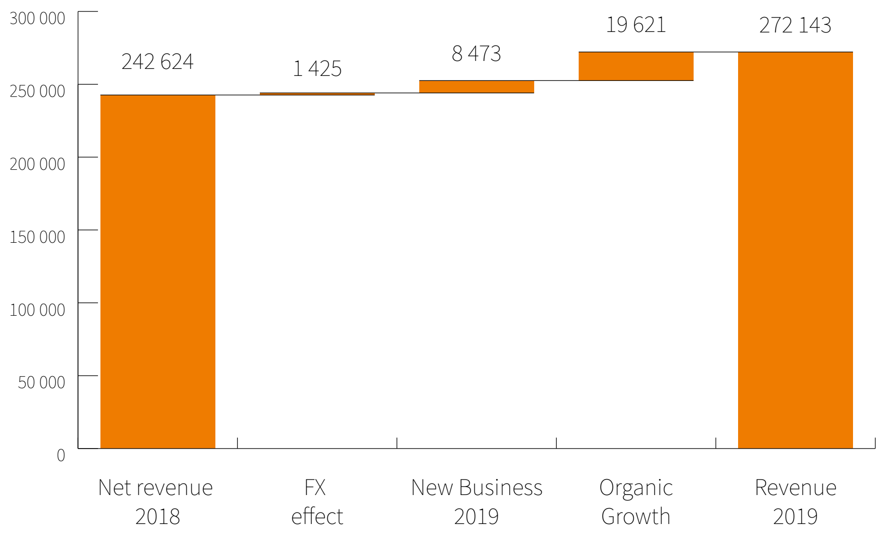
In our continuous extraordinary journey towards the goal of becoming a truly global player in the production, distribution, retail and logistics of alcoholic beverages, 2019 has added 12% of net revenues and allowed us to hit the EUR 30 million EBITDA milestone, which is a great success for the organisation and those contributing to it.

Investments

The Group has continued its investments in the existing and new markets and distribution channels. In 2019, major investment activities were the finalization of the acquisition of the UK distribution company Cellar Trends, ensuring more effective UK team with an ambitious and high- performing culture, entering the Austrian market via the acquisition of the majority stake in distribution companies Mountain Spirits Österreich and Barexpress Getränke, providing us with a powerful footprint in Central Europe and with the ability to reach into the strategically important Alps, as well as the acquisition of a specialised retail chain in Riga, Latvia, operating under the Vinothek Gourmet brand.

In 2019, ABG's investments in the asset base were about EUR 5.5 million. The main investment projects were related to the improvement of product quality control for high-speed production lines, the installation of automated box palletization equipment, improvements of the carbonated drink production line at the production facilities of Latvijas balzams, the launch of installation of a new labelling equipment project in Permalko, in order to fasten processes ABG also invested in next level IT solutions like Robotics using Kryon systems and optical character recognition technologies in the Group's shared service centre. It is a required next step in development that will help to robotize all standard routine works and free up employee time for intelligence analysis.

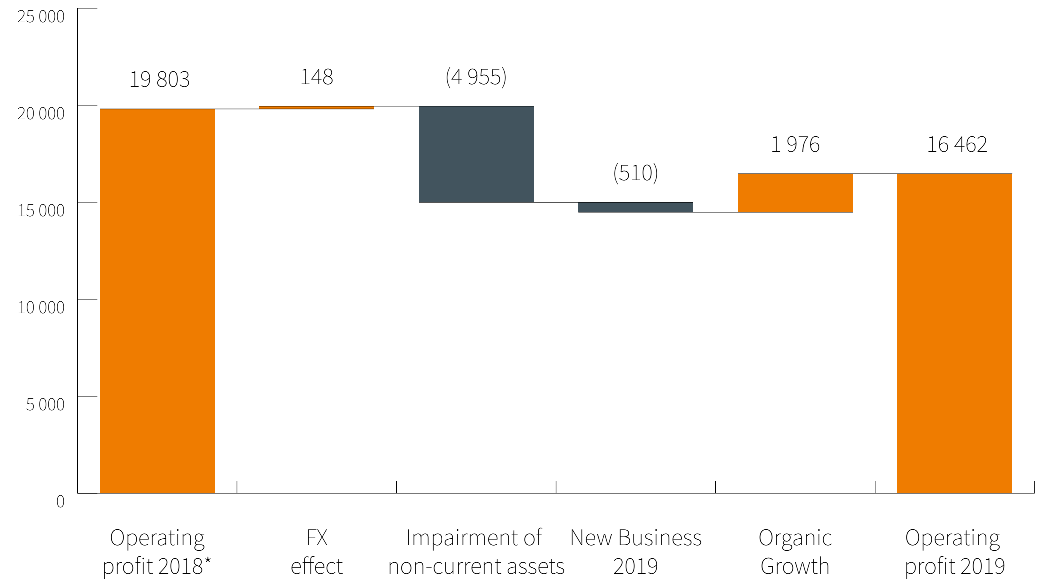
Net Revenue (without excise tax)



Based on the comparison of the Group's financial performance in 2019 versus previous years, new businesses acquired in 2019 have contributed additional 3.5% (EUR 8.5 million) to the total net revenue, thus adding to the positive effect from foreign exchange of EUR 1.4 million mainly caused by variations of the Mexican peso, the Russian rouble, the Australian dollar and the Pound sterling throughout the year against the euro, which is the functional and presentation currency of ABG.

Operating profit

At operating profit level, the Group has showed improvement by growing organically by 10%, while total operating profit level has decreased by 17%, due to recognized impairment loss of EUR 4.9 million on non-current assets. Impairment on Moskovskaya® Vodka trademark has been recognized due to more conservative approach and falling market trends for Vodka market segment development, so Moskovskaya® terminal value growth was decreased from 2.5% to 1.3% and WACC was increased from 10.4% to 11.3%.



* Operating profit for 2018 of EUR 21 994 has been normalized by excluding one-off adjustment in amount of EUR 2 191 from remeasuring contingent consideration on acquisition of Cellar Trends

The main driver of the operating profit increase at organic growth level was the improvement of operations, which was worked through to integrate and align many of our processes across the Group, operate consistently pursuant to the highest standards and deliver flexible and low-cost production and logistics.

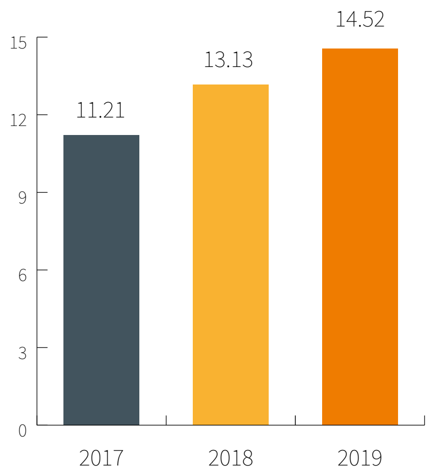
During 2019, the Group continued to renegotiate the terms of contracts on the supply of core raw materials, which resulted in material savings, enabling our sales team to launch our products on new export markets.

We are also putting all our efforts to shift our focus from volume to profitability and upgraded our customer and margin management tools. We shall proceed with our work on promo efficiency in 2020.

The operating profit however has been negatively impacted by Brexit-related uncertainties in the UK and the necessity to adapt to the new marketing and advertising restrictions imposed by the governments in Lithuania and Russia.

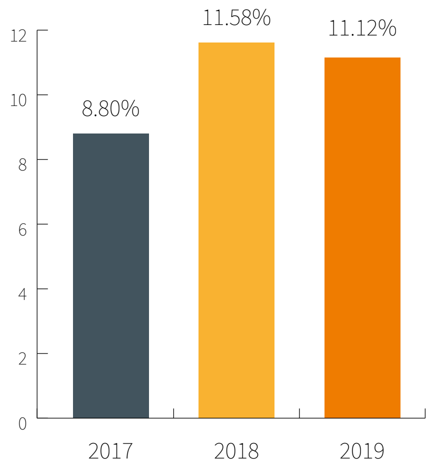
Key financial ratios effectively demonstrate overall positive development of the Group's financial performance in the reporting year: return on assets (ROA) of 5.82%, return on equity (ROE) of 12.37%, EBITDA per head of EUR 14.52 thousand, EBITDA margin above 11%. Management at both global and local level is continuously working to keep the financial performance metrics stable and improve them within the rapidly expanding Group, which is facing different challenges imposed by economic, legislative and market-specific drivers.

EBITDA per head, kEUR



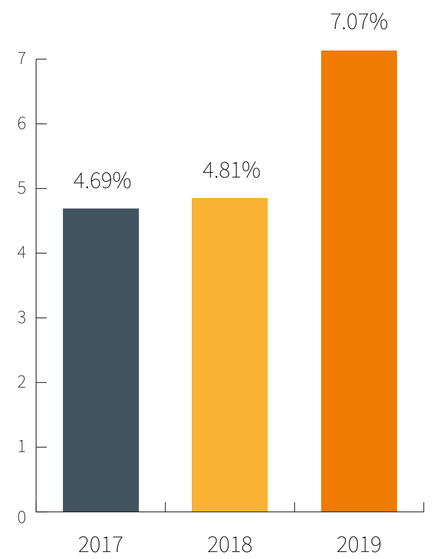
EBITDA per head expressed as EBITDA to average Full time employee

EBITDA margin, %



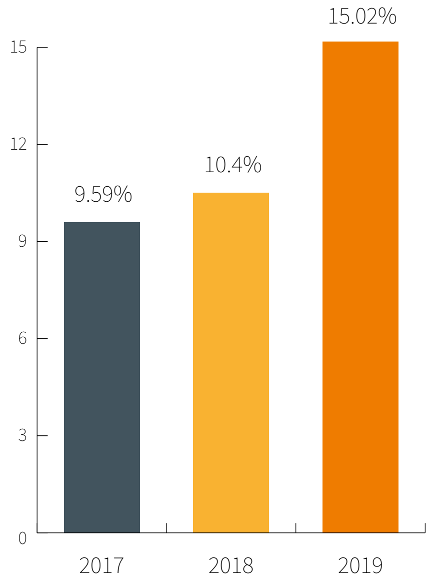
EBITDA margin calcualted as EBITDA to Net revenue

ROA, %



Return on Assets (ROA) calculated as Profit before tax to assets

ROE, %



Return on Equity (ROE) calculated as Profit before tax to average equity

Financing activities

In 2019, the Group started cooperation with Latvia-based BlueOrange Bank, which provided a short-term loan of EUR 17 million to finance working capital needs in Lithuania before change of excise tax in March 2019.

In December 2019, the Group partnered with the globally respected Swiss bank, Credit Suisse, which provided a EUR 27 million loan facility. The received funds were utilised to refinance the existing borrowings from Swedbank, the Royal Bank of Scotland and ScotPac. This new facility offers a significant increase in operational flexibility on attractive terms, while securing a strong financial foundation for the coming years.

Over the year, cooperation with the lenders has resulted in the ability to keep financing costs at a low level with an effective interest rate of 3.9%, which is important for the Group, where the net result is influenced by FX risk arising from out-of-euro-zone currencies (mainly Mexican pesos, US dollars, Russian roubles, Australian dollars and Pounds sterling).

Net debt as at 31 December 2019 is EUR 66.9 million (an increase by EUR 7.4 million from 31 December 2018), which is mainly driven by additional borrowings received and the implementation of new financial reporting standard IFRS 16 Leases having impact on net debt by EUR 6.3 million as of 1 January 2019..

	31/12/2019 EUR 000	31/12/2018 EUR 000	31/12/2017 EUR 000
Cash and cash equivalents	8 142	4 048	4 166
Interest bearing loans and borrowings	(66 852)	(60 661)	(52 978)
Leases	(8 238)	(2 863)	(1 470)
Total net debt	**(66 948)**	**(59 476)**	**(50 282)**

Cash flow

The Group's cash flow was impacted by both the level of the generated profit and the timing of sales in the fourth quarter. Owing to the strong cash flow during the year, the Group could make use of the early payment option offered by some of our major suppliers to receive cash discounts.

The cash pool allows our major subsidiaries to share resources and makes it possible to manage our cash position in the most beneficial and profitable way.

Based on strong cash flow, in 2019 for the first time the Group announced dividends in the amount of EUR 10 million.

Subsequent events

Subsequent to the year end, the Group has continued its strategic expansion by acquiring a majority shareholding in Indie Brands – the UK based boutique premium spirits distributor with a strong focus on HoReCa customers in London. The Group considers that the combination of market experience, sales staff skills and synergies of back-office functions of both Indie Brands and Cellar Trends will deliver benefits for the Group's operations in the UK.

The Group's operations globally have been influenced by activities of national governments to control the pandemic spread of COVID-19. The imposed restrictions on public gatherings have mostly impacted on-trade segment activities; however the fast restructuring of business focus towards the off-trade segment, development of e-commerce distribution channels, as well as the response to customer needs for sanitizing products by starting the production of hand and surface sanitizing liquids Virudes® and SteriGel® in Latvia and Estonia using the formula recommended by the World Health Organisation, delivered positive financial results to cover the impact of the negatives. The Group acknowledges that the medium and long-term impact of COVID-19 on the Group's business model is not yet fully predictable, however the management continues to focus on market changes and is ready to adapt fast.

Jekaterina Stuģe

ABG Chief Financial and Operations Officer
29 May 2020

Our brands

ABG manages over 600 brands, including more than 200 brands (over 1 000 SKUs) that we own and produce.

Brand Portfolio Management

As one of the leading importers and distributors, our companies from the Baltic States, the United Kingdom, Australia and Austria have the honour to represent premier distillers and vintners from all around the world.

ABG has used 2019 to further develop the global footprint of its core brands Moskovskaya® Vodka, Rooster Rojo® tequila, Cross Keys Gin®, Riga Black Balsam® and Cosmopolitan Diva®. Not only did all our brands expand their market spread, but they also all grew their year to year volumes.

With the renewed ambition for Moskovskaya® Vodka set to deliver 1 million 9 L cases by 2024, the team has not only relaunched the brand's bottle and creative platform, but also added Moskovskaya® Pink Vodka to the lineup, which is showing great potential across the European markets. In 2020 Moskovskaya® Vodka plans to move into the Hard Setzer category reviving its USA presence. It's important to emphasize that the ABG vodka portfolio is also booking successes with brands like Riga Black® Vodka, Gradus® Vodka or even the new launch of the new Tombovskaya® Vodka.

For Tequila obviously Rooster Rojo® tequila has led the way by entering 13 new markets in 2019. However ABG has been working hard on redesigning their other Tequila brands like KAH® Tequila, Don Camillo® and Zapopan® to make sure they have a broader and more balanced offering in 2020 in the ever growing Tequila Category.

The continuous organic growth of Riga Black Balsam® is on track by growing its profitability base. In 2019 we launched Riga Black Balsam® Espresso adding another successful line extension to the brand and in 2020 we plan to launch Riga Black Balsam® XO.

Cosmopolitan Diva® keeps finding new partners to distribute the brand all over the world, but especially the Nordic markets are showing huge growth potential, which is hardlya coincidence as it's the place where the health and low ABV trend are going strong.

While 2019 has been a great year for the ABG core portfolio it's clear we still have a lot of work to do. The absence of brown spirits will therefore becomes our key focus point in 2020.

Attractive Brand Portfolio Across Key Categories

Leading International Brand Lines

Riga Black Balsam® Rīgas Melnais Balzams since 1752

Cross Keys Gin

Moskovskaya®

Cosmopolitan Diva®

Rooster Rojo Tequila

KAH® Tequila

Leading Category Brands

Vodka

Gradus°

Русский Резерв

Riga Black® Vodka

Tequila

Zapopan

Don Camilo

Brandy

Grand Cavalier

Cofee liqueur

Moka

Sparkling wines

Prestige Cuvée

Cider

Lucky Dog Apple Cider

Leading third party brands

Riga Black Balsam®

The legendary herbal bitter Riga Black Balsam® is probably the oldest living bitter brand in the world, with a history of craftsmanship dating back over 260 years.

First recorded in 1752, it has been loved and admired by generations. Only natural ingredients are used to craft this unique herbal bitter.

Riga Black Balsam®, with its distinguished award-winning natural clay bottle, is well-known and sold to customers in 30 international markets, with over 4 million bottles produced every year.

Riga Black Balsam® is beloved by industry experts and the world's best bartenders, having received more than 100 awards at international fairs and competitions.

The authentic and versatile taste of this legendary herbal bitter makes it an indispensable component for modern mixology and even cuisine.

Today, this brand line is built around four bitters – the original Riga Black Balsam® and its contemporary flavoured variations, Riga Black Balsam® Black Currant (the original recipe is enriched with black currant juice), Riga Black Balsam® Cherry (enriched with cherry juice) and Riga Black Balsam® Espresso (enriched with the extract of coffee beans and cinnamon).

Likely the oldest bitter brand available
Crafted with passion since 1752

Distinctive, authentic taste
An exquisite balance of sweet and bitter flavours

Complex blendable flavour profile
An exciting ingredient for modern mixology and cuisine

All-natural ingredients
No colourants or flavours added

Secrets of master craftsmanship
Single-barrel infusion technology

Unique bottle
True to the original centuries-old natural clay design

Recognition of quality
Over 100 top international awards and counting

Riga Black Balsam®

Performance

- 175k 9lcs of Riga Black Balsam® sold
- Strong 7% growth vs 2018
- Over EUR18 million revenue from brand sales
- Sold to 28 markets worldwide (+21%)
- Presented in four different flavours (original, blackcurrant, cherry, espresso – coffee flavour successfully launched in 2019)

Māris Kalniņš,
Global Brand Director

"2019 was another great year for the legendary herbal bitter Riga Black Balsam®, showing +7% volume increase from 2018. The brand performance was excellent in both home markets (+6% vs 2018) and export markets (+10% vs 2018). Riga Black Balsam® was successfully launched in new export markets such as China, Taiwan, Switzerland, Netherlands, Canada, as well as continuing to increase its business in existing key target markets – Baltics, Global Travel Retail, the UK, the US, Russia and Italy. The opening of new markets and our brand footprint expansion in existing markets will ensure continued growth for the future.

Key focus areas for the brand in 2019 were new product development and launching in target markets, focused social media and consumer communication and close cooperation with the global bartender community.

In response to consumer trends around the world, Riga Black Balsam® Espresso was launched in the summer of 2019. By the end of 2019 Riga Black Balsam® Espresso's market share reached 3% of the total portfolio and was available in seven markets. Riga Black Balsam® Cherry (launched in 2017) continued to expand its footprint and was successfully launched in six new markets, the largest of them being the US, China and the UK."

Moskovskaya®

Moskovskaya® Vodka is one of the oldest traditional vodkas with a recipe dating back to the end of the 19th Century. The Russian Empire Spirits Monopoly originally licensed two producers of this brand - one in Moscow and one in Riga. We currently produce and market this vodka to over 68 markets worldwide, expanding distribution in US and LATAM markets in recent years.

Capitalising on Moskovskaya® Vodka's brand heritage and remaining loyal to the brand's core value of simplicity, we are building the brand on a single global positioning platform, attracting new consumers and up-trading existing ones by introducing Premium Line and Limited Editions.

One of the oldest existing vodka brands
Created for the Russian Empire's vodka monopoly in 1894

Authentic Russian production process
Traditional Russian column filtration at the historical premises

Over 100 years of vodka traditions
The current production facility was established in 1900

Smooth taste with character
Made according to the Osobaya or 'the special' recipe

Highly acclaimed quality
Recognized by experts in numerous global competitions

Moskovskaya® Vodka

Performance

- Volume increase: 383k 9lcs sold in 2019, growth of 4% vs 2018
- Value increase: over EUR 9.4 million generated from brand sales, growth of 10% vs 2018
- Available in 68 markets worldwide

Helēna Zakmane,
Global Brand Director

"Moskovskaya® Vodka is one of the strongest assets within the Amber Beverage Group portfolio, and the brand is rapidly expanding its worldwide distribution, while consolidating its performance in existing core markets such as the Baltics, Italy, Spain, Portugal, Lebanon and Canada.

In 2019, some major steps were taken to rejuvenate the brand and take it to a new level: we launched the new bottle, completely revamped the brand communication and visual identity and continued to innovate with Moskovskaya® Pink Vodka and the Out of Space Limited Edition.

With the hiring of an experienced Moskovskaya® Vodka Global Brand Ambassador – Felicity Gransden – we have significantly improved our brand education and heritage communication, launched our global drink strategy, and enhanced the new product development process.

The brand is going into 2020 in a very strong position with our key marketing priorities being global initiative implementation in the core markets, focus on social media communication and influencer engagement."

Cosmopolitan Diva®

Cosmopolitan Diva® is the first sparkling wine filtered through real gold. The concept of the brand is based on insights from consumer trends that go beyond the traditional realm of the sparkling category.

Cosmopolitan Diva® was launched successfully in Asian markets to become an exclusive drink in top level clubs, later expanding in the Baltic markets to become a Top 3 successful launch and #3 sparkling in one of the markets (AC Nielsen). Building on this success, the brand was further launched in other export markets including the US.

The first ever gold filtered sparkling wine
Delivers a round, smooth taste

Inspired by the emerging fusion trend
Fusion drives the growth of light beverages globally

Unique fruit-flavoured sparkling indulgence
Natural fruit juices and refreshing flavour

Award winning design & varieties
Recognized and appreciated by customers

Changing consumption habits – a new favourite
Low 6% ABV and alcohol-free versions

Global distribution
China, US, UK, Norther Europe, Asia

Multiple international awards
Great achievements in the first three years post-launch

Cosmopolitan Diva®

Performance

- Over 100k 9lcs sold in 2019
- Stable 6% growth vs 2018
- Tripled volume in USA 2019 vs 2018
- Present in 19 markets worldwide

“In 2019, Cosmopolitan Diva® concluded the rollout of upgraded, more premium-looking packaging that started in late 2018 and continued to expand globally by entering new markets such as Denmark, Thailand, Vietnam and by growing distribution across the US by listing the brand with major distributors in Texas and Washington DC amongst others.

While new markets were focusing on core Cosmopolitan Diva® flavours, established markets did an excellent job with new Passion Fruit Fusion line extension launched in Q2. Towards the end of the year, two projects were prepared for roll out in 2020; the Cosmopolitan Diva® single serve and our first wine-based line extension with the purpose of entering new consumption occasions and attracting new consumers to the brand.”

Evija Sparāne,
Global Brand Director

Rooster Rojo®

Rooster Rojo® tequila was developed and launched globally in 2017. It is produced at our local factory in Tequila, Mexico.

Rooster Rojo® is an extra smooth tequila, produced using only the best ingredients and production techniques which result in preserving the superb natural flavours of its top quality agave. Born in the agave fields of Jalisco, Mexico, it is carefully crafted by using only 100% Agave juices, to ensure exceptional taste and quality that would please even the greatest tequila connoisseur.

Superb 100% agave tequila
Received accolades at the Tequila Masters Awards in 2018

Straight from the UNESCO-protected tequila producing region
Made in the heart of the Tequila region, Mexico – at the foot of Tequila Hill

Exceptional packaging
A tall craft bottle with vintage cork stopper

Strong, memorable brand name
The Rooster is the unofficial symbol of Mexico

Unique brand experience
For discerning consumers who recognize the difference

Brand positioning = vivid revelation
Discovery, escape, transformation, independence

Kosher certified
Impressive expansion opportunities in fast-growing global Kosher market

Immediate international success
Awards received in 9 competitions in a row, in each contest where the brand was presented

Rooster Rojo® tequila

Performance

- In 2019, thirteen new markets were opened globally, most of which were European countries such as Norway, Sweden, Denmark and Holland. This drove impressive growth vs 2018 in EMEIA region.
- Countries which already had Rooster Rojo® tequila in their markets since the beginning of 2019 showed very good performance and enjoyed double digit growth of depletions vs last year.
- Best markets for Rooster Rojo® tequila were Canada, Russia, Norway and Greece.

Mantas Zlatkus,
Global Brand Director

"In 2019, Rooster Rojo® had a non-alcoholic brand line extension. Sangrita was successfully launched in core markets and became a very important part of our brand signature drink strategy.

Rooster Rojo® gained a Global Brand Ambassador; HoReCa veteran Ansis Ancovs was appointed for this role not only to educate bartenders around the world about tequila and Rooster Rojo® itself, but also to become the face of the brand on social media channels.

Our social media follower base was increased by more than 50%, influencer campaigns and regular content received great engagement from Rooster Rojo® followers, much higher than industry standards. This shows that the brand has great potential and we envisage continued success in the future.

The Fabrica de Tequilas Finos distillery, where Rooster Rojo is produced, was decorated with the Rooster Rojo® signature look – the head of the Mexican symbol the red rooster painted on the walls with the words 'CASA ROOSTER ROJO', which means 'Home of Rooster Rojo'. This will act as a great tourist attraction and brand awareness builder when Fabrica De Tequilas Finos opens its visitor centre.

Continuing the sponsorship of the adventurous Rooster Rojo J2-Racing Team which competes at famous VLN endurance races and the 24 hour race at the legendary Nürburgring track, three incentive trips for VIP clients were held in Germany allowing customers to see the races and experience hot laps."

Cross Keys Gin®

1000 miles north of Berlin, between the blooming marshes of Lithuania and stony Estonian islands, lays the crown jewel of Eastern Baltic coast – Riga, the capital of Latvia. This city has always bred all kinds of rebels: it was the cradle of the Reformation, hub of revolutionaries and homestead of anarchists. Its history has inspired unique and rebellious drinks as well.

The first was the famous Herbal Bitter Riga Black Balsam® – an alchemic experiment of 1752 with its still secret recipe, and the latest is Cross Keys Gin®. Created by the same master distiller who blends Balsam today, the gin takes its name from crossed keys – an ancient symbol of urban hospitality and part of Riga's heraldry.

Cross Keys Gin® is characterized by rich sweetness of wild flowers and trees blooming in short Northern summers. It is joined by the sappy explosion of birch buds and a refreshing hint of mint on the one hand and anchored by classical spices like black pepper and cloves on the other.

Baltic summer flavour
Classical gin flavour tenderly enriched by chamomile, linden blossoms and botanicals of the legendary herbal bitter Riga Black Balsam®

Pure gift of nature
All-natural and pure herbal ingredients carefully gathered to preserve their unique qualities

Authentic crafting process
The original recipe requires great care, therefore the gin is handcrafted in small batches

Original clay bottle
The traditional Riga Black Balsam® clay bottle complements the ageing process of gin

Finest art of distillery
Craftsmanship perfected since 1900 and enlightened by centuries of tradition

Cross Keys Gin®

Performance

- Launched in autumn 2018
- 2k 9lcs sold (in 2019) which exceeds last year by 1.5x
- Sold to 17 markets worldwide (+9 new markets vs 2018)
- Presented in two different flavours (original and black currant)

Māris Kalniņš,
Global Brand director

"In 2019, we continued to expand Cross Keys Gin® footprint in export markets. The brand was launched in nine new markets including China, Netherlands, Poland, Czech Republic, Panama, Armenia. Its largest markets are Latvia, Italy, the UK and Global Travel Retail. In 2019, the brand received its first GOLD medal at The Gin Masters award organised by The Spirits Business for top class packaging and liquid.

Following the global pink and flavoured gin trend, Cross Keys Gin® Black Currant was launched in the summer of 2019. By the end of 2019 Black Currant version was already available in eight markets (reaching 22% from portfolio), with the largest of them being Latvia, Global Travel Retail and the UK."

Regional performance

Distribution

International

Performance

50%	Cosmopolitan Diva® volume growth vs 2018
61	New brand launches in 31 new markets in 2019
12	New markets opened

Building a strong European distribution network

Results

Strong focus on market entry with the ABG's core brands has resulted in 39 new brand launches in 26 new markets in 2019, including Moskovskaya® Vodka in Georgia, Iceland, India and Poland, Riga Black Balsam® launch in the Netherlands, Romania, Azerbaijan, Armenia and Panama, Cosmopolitan Diva® in Denmark, France, Thailand, Vietnam and Macau. Rooster Rojo® tequila has successfully entered in Germany, Sweden, Russia and Ukraine and many other. Continued exploration of customer and consumer tastes has resulted in opening the doors in 12 new markets like Denmark, Bahrain, Norway, Georgia, Romania, India, Czech Republic, Azerbaijan, Lithuania, Vietnam, Thailand and Macau. Market focus has delivered strong growth in brand contribution for all our core brands, allowing to increase the net revenue by 10% to EUR 11.2 million.

Moskovskaya® Vodka volume sales volumes reached 229 thousand 9lcs with strong return in Spain (volume +61%, value +54% vs 2018) which successfully underwent price repositioning to boost sales in the long term, and strong depletion rates in other core markets (Italy, Russia, and other).

Riga Black Balsam® (volume +8.6%, value +10.7% vs. 2018) is characterised by continued growth in Russia, Germany and Israel, as well and expansion to five new markets in 2019.

Cosmopolitan Diva® (volume +50%, value +56% vs 2018) expanded to new customers and countries globally, growing significantly in the US (+231% in volume), adding several new geographies in 2019 with huge potential especially in Denmark and Asia.

Rooster Rojo® tequila expanding to 12 new markets via continuous brand building activities, which have added sales volume of 3 thousand 9lcs.

Development of portfolio

We have continued to expand our vodka portfolio to provide a magnificent experience to our customers – launch of Moskovskaya® Pink Vodka, which is an innovative answer to the global popular pink gin trend, development of Riga Black Vodka® Cranberry having great potential in Americas, expansion of Moskovskaya® Vodka Limited Edition series with the launch of "Out of Space" celebrating 60 years of the Soviet Space Program.

Brand building

Our brand building activities in 2019 include nomination of Moskovskaya® Vodka and Rooster Rojo® tequila Brand ambassadors, increasing brand awareness via frequent visits to our core markets by our Brand Ambassadors, developing extremely attractive consumer propositions, managing marketing spend via cooperation with global players, improving in-store visibility, working with social network influencers all over the world.

Baltics

Performance

> 13.5k Customers served in Baltics

17.5% Combined pan-Baltic market share

68 Own retail stores operated in Baltics

Experience of distribution leadership facilitates focus on consumer preferences, driving the business at pan-Baltic level

Amber Beverage Group's Baltic distribution segment comprises distribution companies such as Amber Distribution Latvia (ADL), Bennet Distributors (BD), Amber Distribution Estonia (ADE), Interbaltija AG (IB), and retail companies Bravo (Bravo) and Interbaltija Arka (IBAR).

ADL is the No.1 distribution company in Latvia in terms of volume and revenue, and Interbaltija AG – the premium wine and spirits distributor with main focus on HoReCa (hotels-restaurants-cafes) segment. ADL serves more than 4 500 customers around Latvia including off-trade and on-trade supply.

BD is one of the leading importers in Lithuania serving over 7 500 customers in its key accounts, HoReCa segment, and in traditional trade channels. BD has a well developed distribution network throughout Lithuania with sales more than 50 million bottles annually. BD runs a fleet of 30 trucks and vans and provides 14 000 m^2 in warehouse area.

ADE is a middle-sized, but competitive and dynamically developing player in the Estonian beverage market providing customers with a wide range of international spirits and wine brands. Being the fastest growing distributor of international spirit and wine brands in Estonia, Amber Distribution Estonia reached its highest annual sales record in 2019. The company serves more than 1 500 outlets across the country with a portfolio of more than 180 brands.

In 2019 the total volume market share reached 17.5% (ADL 30.6%, IB 1.3%, BD 13.7%, ADE 4.9%) showing overall increase by 1.5% while the market has contracted by 3.2%. Significant volume share is noted in RTD (ready-to-drink) category (49%, +20% vs 2018) sparkling wine category (56%, -0.8% vs 2018) and bitters category (83%, +3% vs 2018) in Latvia, brandy category (42.1% +3.6% vs 2018) and whiskey category (36.7%, +8.2% vs 2018) in Lithuania, whiskey category (24% +1.5% vs 2018) and sparkling wine category (16%, -0.2% vs 2018) in Estonia (source: IWSR). In the Baltic distribution segment the top volume categories in 2019 were vodka reaching 675k 9lcs (+12% vs 2018), sparkling wine 574k 9lcs (+7% vs 2018) and wine 484k 9lcs (+2% vs 2018).

The beverage market in 2019 has been impacted by the imposition of more aggressive restrictions on allowed sales channels, shortening sales hours, increased legal age for buying and consumption in Lithuania, new store layout policies implemented in Estonia, unexpected excise tax changes in Estonia and Latvia since summer 2019, that has negatively resulted in contraction of the Baltic market by 3% (source: IWSR). Still the strong focus on revenue management, distribution of profitable brand portfolio, and tailored distribution and marketing activities, has contributed to increase of net revenues by 7.9% and volume increase by 6.5% in volume in comparison to 2018.

Starting from 2019, ABG started the pan-Baltic distribution of Beam Suntory brands, generating brand contribution (i.e., gross profit less direct sales and distribution costs) of EUR 685 thousand.

Major Brands

Riga Black Balsam® (volume + 6.8%, value +7.5% vs 2018). The main driver for volume increase is Riga Black Balsam® Black Currant, which in 2019 has outperformed the core product and contributes 44% of the total Riga Black Balsam® sales in 2019. The new Riga Black Balsam® Espresso version has been well perceived by consumers and has resulted in sales of 3.5 thousand 9lcs.

Moskovskaya® Vodka (volume +14%, value +15.2% vs 2018). Growth achieved through focus on off-trade promotional activities. All of Moskovskaya's novelties were well perceived in Baltic markets, especially the rejuvenated bottle design and the limited edition Out Of Space which pays tribute to the pioneers of space travel.

Jim Beam (volume +26.6%, value 44.9% vs 2018). Since 2019, the Jim Beam is distributed at pan-Baltic level, therefore increase in volume and value is mainly generated in the Lithuanian market. The strong market position in Latvia and Estonia has resulted in net revenue increase by 7% and 12% respectively.

Torres brandy (volume -1%, value +6% vs 2018). Maintenance of revenue growth in declining market situation shows great success for management of the No.1 premium brandy in Lithuanian market.

Grand Cavalier® brandy (volume +4.9%, value +8.2% vs 2018). With the main focus on off-trade activities and fair pricing strategy, Grand Cavalier® has maintained its positions and increased both the volume and value both in Lithuania being the core market, and at pan-Baltic level.

Finlandia Vodka (volume 8.6%, value 5.6% vs 2018). Fair pricing strategy and focus on off-trade activities has contributed to increase of growth.

Zelonaya Marka vodka (volume 14.6% , value 25.8% vs 2018). Strong performance and proper focus on brand positioning in all Baltic countries have resulted in healthy growth. In Estonia the sales volume has doubled in comparison to 2018.

New Product Development

During 2019, the Group continued introduction of new products and proceeded with packaging renewal projects. Following the global market tendencies, Moskovskaya® Pink Vodka, Cross Keys Gin® Black Currant and Riga Black Balsam® Espresso – the fifth version of Riga Black Balsam® were introduced and well perceived by the market. The sparkling Cosmopolitan Diva® Passion Fruit Fusion with tempting tropical flavour and sweet-and-sour taste reached the customers.

Efficiency Achieved

In 2019, the Group has continued utilization of synergies in Estonia by exploiting in-house logistic services in cooperation with Remedia. We also actively worked on improvements within logistic processes by implementing high level IT solutions, like digital signing of invoices by clients etc. This has resulted in more cost-efficient usage of internal Group's resources and savings in commercial and logistic costs. The newly launched web platform amberdrinks.eu brought the customer experience closer to us and improved communication with our customers.

United Kingdom

Performance

39.7%	Gross sales generated by TOP 5 customers
56	Brands from 25 brand owners served
147	Thousand 9lcs of Faustino sales in 2019

Restructuring the business model to overcome the Brexit uncertainty

In 2019 the Cellar Trends (further on – CT) continued the process of deeper integration in ABG. This integration process included continuous work on upgrading the CT's infrastructure – ERP system and supporting processes. The conclusion of the distribution agreement for Brockmans Gin in September 2019 allowed to supplement the brand portfolio with a strong, trendy gin brand.

These changes were made during a period of significant political and economic uncertainty in the UK, with Brexit dominating the headlines, and continued intense competition in the market combining to make for a challenging and contracting trading environment.

Whilst the addition of the ABG brands adds stability to the portfolio, it remains the case that third-party brands form a critical pillar of CT's performance. Whilst Faustino represents nearly 30% of the 483 thousand 9lcs volumes in the business, the wine sector is typified by lower margins. Within spirits the Luxardo portfolio is a core element with 11% of the overall volumes.

Core Brands

Stolichnaya Vodka: 2019 was a year of stabilisation on the brand with price increases required across the market. This, combined with a large amount of stock already in the market, meant that the year was challenging for volumes. By the end of the year, the brand was in a better position, but heavily reliant on support funding with limited scope for consumer activation.

Faustino Rioja: Whilst remaining the second largest rioja brand in the UK, Faustino continued to face the drop of volumes in 2019. In part this was a reflection of the overall decline in Spanish wine market, but also due to implementation of changes in the promotional strategy within the largest account ASDA where a new type of approach pulled consumers to the category, but not to the brand – a fate shared by the leading competitive brand.

Luxardo: Sambuca continues to be a price sensitive market in decline with consumers switching away from the shot category.

New brands

A star performer in the portfolio for the year was Bumbu Rum. The great potential lays within the Brockmans Gin, which is expected to show its full strengths in 2020.

Efficiencies

The CT is continually looking at methods to improve efficiency in the operation. This includes giving the sales team a clear prioritisation structure for the brand portfolio, seeking and delivering increased automation in finance routines and aligning everyone behind a profit focus.

Australia

Performance

€ 22m	Gross revenue
28k	9lcs of Stolichnaya vodka sold in the market in 2019
71%	Total volume growth vs 2018

One of ABG's latest acquisitions Think Spirits had an outstanding year of growth both in volumes and profit

In 2018 ABG acquired 90% shares in Think Spirits (further on – TS) - one of the largest on-trade focused distributer of beverages in Australia. 2019 was the first full year that TS was a part of ABG.

Brands in TS portfolio are selectively sourced from international suppliers not affiliated with other Australian distributors or corporates. Products are distributed by leveraging the sales channels of large-scale buyers such as Woolworths, Australian Liquor Marketers and Coles. The business has also established strong relationships with its end-users (i.e. bartenders).

2019 year was characterised as a year of change and growth with launching 13 new brands in Australian market and taking on Stoli portfolio distribution within the country. TS managed to take on additional business without adding new staff and keeping operations lean, thus driving an outstanding performance. 2019 full year sales volume grew by 71%, revenue grew by 55% from EUR 14m in 2018 to EUR 22m in 2019.

2019 in Australia was characterised by a slowdown in residential real estate markets and subdued consumer spending, overall economy growth slowed and turned out at 1.8%. Negative impact on economy was from nationwide bushfires in Q4, thus resulting in a downward pressure on retail spend in affected regions.

Core Brands

Stolichnaya vodka: In November 2018 TS took over distribution rights of the brand in Australia. In 2019 TS sold 28k 9lcs of this brand, making it the largest brand in the TS portfolio, representing 32% from all volumes sold. In a brand takeover year and in a declining market for vodka category, TS managed to maintain Stolichnaya portfolio's total volume in line with 2018.

Little Drippa: Is non-alcoholic cold extracted coffee designed by bartenders for bartenders to make coffee cocktails easier. With a growth in espresso martini trend the brand continued its growth and in 2019 reached sales of 8.6k 9lcs and a growth by 16% in comparison to 2018. Little Drippa is the second largest brand for TS by its volume.

Seedlip: With healthy lifestyle in growth and an outstanding work from TS`s sales team, this UK produced non-alcoholic spirit brand grew strongly turning out 6 thousand 9lcs and annual growth of 180% vs previous year. Seedlip is the third largest brand for TS by its volume.

Malfy Gin: With the gin market on the rise and by year end even surpassing vodka sales in the market, Malfy Gin with its Mediterranean heritage and flavours that are in high value in Australia was set for a growth in 2019. Supported by outstanding work from TS sales team the brand turned out a total of 4.8k 9lcs in 2019, a massive 300% growth on 2018.

Casamigos Tequila: Tequila brand supported by American actor George Clooney strived in challenging and limited tequila market in Australia, however with the sales team getting many new distributions the brand experienced its highest year in sales in Australia with 2.7k 9lcs in total and 45% growth compared to 2018.

Chateu Tananda: Locally produced brandy with historic heritage and well-known brand in Australia for ages. 2019 was yet another year with solid performance and growth resulting in 4.5k 9lcs and growth by 5%.

New brands

During 2019, Think Spirits took on a list of new brands, including Rooster Rojo® tequila, Moskovskaya® Vodka, Riga Black Balsam®, Cross Keys Gin®, Cenote, Bayou rum, Stolichnaya vodka range, Westward whiskey.

Other events

In 2019 the Think Spirits went through many transformations and upgrades that improved its operational efficiency, reporting quality and capabilities, aligned internal procedures with ABG.

Production

Latvia

Performance

€ 78.6m	Standalone net revenue
Over € 3m	Annual investment in production facilities
> 42%	3rd party private label volume production growth

Continuous investments in production facilities improve efficiency and financial results

AS Latvijas balzams (hereinafter also - LB) is the leading producer of alcoholic beverages in the Baltic states. LB was established in 1900 as Riga's first state alcohol warehouse and has been operating under the current name since 1970. Latvijas balzams represents 22% of the local market share, produces over 1000 SKUs annually, and is among the biggest taxpayers contributing to the Latvian economy. Currently, LB produces more than 100 different brands of beverages.

Nowadays, AS Latvijas balzams operates two alcohol production facilities in Riga: a factory for the production of strong alcoholic beverages and a factory for the production of sparkling wines and light alcoholic beverages. These factories produce most types of alcoholic beverages, such as sparkling wines, fortified wines, ciders, RTDs (ready to drink), vodka, liqueurs, brandy, gin, etc. The recipes for some of Latvijas balzams products date back hundreds of years; for example, the formula of Riga Black Balsam® was officially written down in 1752.

Key suppliers of raw materials and consumables for LB represent Latvia, Russia, Lithuania, Estonia, Poland, Germany and Slovakia. Key resources are water and alcoholic materials. Water is derived from an artesian well located in the territory of LB. Alcohol for the production of most products is supplied by Talvis, which is one of the largest producers of high-quality alcohol in the Russian Federation.

Logistics services represent a small but still significant part of the LB business; this competence has been increasingly developing over the last years. For the most part, services are rendered to related companies, but the volume of services, such as transit assurance services, bonded warehouse services, logistics services, value added services, picking, etc., provided to other enterprises of the alcohol industry is growing. The utilization of available resources has become effective owing to our targeted efforts.

In 2019, LB continued investing in production, specifically focusing on the improvement of efficiency and adaptability and the preservation of the low cost base. Total investments made by LB in the acquisition of property, plant and equipment and intangible assets in 2019 were EUR 3.1 million. Main investment projects were:

- the installation of automated product recording equipment;
- the installation of product quality control equipment for high-speed lines;
- the installation of automated box palletization equipment;
- the introduction of a new bottle shape for Moskovskaya® Vodka brand;
- the improvement of the carbonated drink production line, and many others.

In addition, LB has undergone a quality management system re-certification audit, with the result that the LB has obtained a certificate of conformity of the system with the new version of ISO 9001:2015.

During 2019, LB continued introducing new products and proceeded with packaging renewal projects. Following global market tendencies, LB started the production of a premium pink gin – Cross Keys Gin® Black Currant. Meanwhile, one of Latvia's most legendary brands – Riga Black Balsam® - successfully responded to increasing global coffee trends. The fifth version of this old drink brand – Riga Black Balsam® Espresso – was offered to the market at the beginning of last summer. Supported by a new global campaign spanning more than 65 countries across the world, our popular Moskovskaya® Vodka brand with a renewed packaging design came up with a special response to the rose gin tendency - Moskovskaya® Pink Vodka. The sparkling Cosmopolitan® Diva line saw its design refreshed by premiumizing the product using a new design for the bottle, cork and beverage overall. The production of a new product Cosmopolitan Diva® Passion Fruit Fusion with tempting tropical flavor and sweet-and-sour taste was started.

LB has always worked to develop its presence in the production of private label products. As an affirmation of high production standards, LB has been granted an opportunity to produce one of Russia's biggest vodka brands – Five Lakes (Пять Озер). Latvijas balzams ensures the bottling of this product for the client's foreign customers. The production of this brand has been growing considerably as a result of cooperating with Amber Beverage Group, which has taken over the distribution function for this product on the Baltic market. As the result of successful cooperation with private label customers, the sales volume of private label brands has increased by 42% over the year.

Russia

Performance

3m	DAL of spirit production in 2019 by Talvis
9 340	Average daily productivity in 2019 by Talvis, DAL/day
37	New sales regions entered in 2019 by Permalko

Superior quality of our products are highly appreciated by customers

Tambovskoye spirtovoye predpriyatye Talvis JSC (further on - Talvis) is the largest producer of Lux and Alpha spirits in Russia and is listed in the 100 best ecological enterprises of the Russian Federation.

With history of over 100 years, Talvis has mastered the production process of rectified ethyl alcohol in combination with modern technology that allows production capacity of 10 thousand dekalitres (DAL) per day (the average daily production in 2019 reached 9 340 DAL). In 2019 Talvis celebrated 10 years since the construction of the new production facility in Tambov.

in 2019 78.1 thousand tons of grain were processed, providing the raw material – spirit – for the producers of alcohol beverages both in Russia and other countries. In 2019 Talvis has reached production volume of spirit 2,987m DAL placing Talvis in fifth place in the rating of spirits producers in Russian Federation.

Spirit produced by Talvis is the only source of spirit for production of Stolichnaya vodka at Latvijas balzams supporting Stoli marketing concept "Originally from Russia". Remaining part of Talvis spirit is sold within Russia, partly to related company Permalko, remaining to third parties. The quality of Talvis spirit is highly appreciated by the market, allowing the company to choose the most appropriate customer base.

Key investment in 2019 (exceeding EUR 700k) was replacement of tubular bundle to maintain the production of the high-quality spirit.

Permalko JSC (further on - Permalko) is one of the oldest producers of spirits in Ural, Russia. The company is in the TOP 20 list of vodka and spirits producers in Russia.

Permalko has over 120 years of history and more than 20 brands/products in its portfolio. The geography of deliveries is extensive and includes not only Perm region but also many other regions of Russia. In 2019 Permalko successfully entered 37 regions substituting the distribution network previously covered with contract with Krasnoe&Beloe.

In 2019 redesign of Gradus® Vodka was successfully finalized, providing customers with a new experience and gaining new awards.

Permalko is increasing production volumes; 2019 has become a breakthrough year in regards to its productive capacity. Employees ensured a perfect gift for the company's anniversary, reaching record volumes of production and sales. In 2019 the total sales volume reached 1.7m 9lcs (+4.2% vs 2018) out of which the largest brands are Gradus® Vodka, Khishniki® Vodka, Permskaya® Vodka. This is the best result in the company's history in recent decades. As the private label producer, Permalko has successfully continued cooperation on production of premium segment vodkas Zerno and Romanov.

A major investment was made in 2019 in the installation of a new labelling machine facilitating increased production capacity and a reduction in direct production costs.

Estonia

Performance

900	Pallet places in warehouse
4 000	Output capacity of labelling machine, units per hour
1m	Production capacity in liters

Efficient production facility allows serving specific customer needs in small and mid-size batches

Remedia AS (hereinafter also - Remedia) is the first private equity company in the re-independent Estonia, which gained the right in 1991 to produce alcoholic beverages. Since then, Remedia has become the third largest producer of spirits in Estonia. Remedia's assortment includes vodkas, flavoured vodkas, gins, natural berry and fruit liqueurs, herbal liqueurs and bitters. The company also makes cream liqueur and natural egg liqueur.

To increase the utilisation of the production facilities, in 2019 the Group relocated the small batch production from Latvijas balzams to Remedia. This allowed to produce the well-known brands (e.g, Pshenichnaya vodka, Barbuda rum) distributed at pan-Baltic level with the same product design, maintaining the same high-quality standards.

Moreover, providing the logistic services to Amber Distribution Estonia has increased synergies and cost reduction at the Group level, resulting in the improved utilisation of resources at Remedia.

Since acquisition, ABG has supported investments in new labelling station to improve Remedia's production cycle and provide automatic excise duty stamp labelling for all products. This investment increases production output to 4 000 units per hour. The company has re-routed the third-party product import by Amber Distribution Estonia through the warehouse in Kiiu, thus synergising logistics costs in the Estonian market.

Mexico

Performance

€ 6m	Net revenue (stand-alone)
8.9k	Production volume of Villa One tequila, 9lcs
70%	Energy saved via installed solar panels

Our tequila production facilities are rated among the TOP 10 of quality tequila producers, winning industry awards annually

Fabrica de Tequilas Finos S.A. de C.V. (further on - FTF) was established in 1999 and started production of premium tequilas in 2000. The Company is in the heart of Tequila, Jalisco, surrounded with agave landscape that has been declared the heritage of the humanity by UNESCO.

Almost 20 years ago in 2001, FTF started producing Tenoch Tequila followed by Stallion, Tonala, Don Camilo, Zapopan, Santos and other supreme tequila brands. All of which have been marketed with great success in the United States.

In 2016, we launched the Rooster Rojo® tequila brand that has become one of the of the ABG core brands with immediate international recognition and several thousand followers on social medial platforms. FTF has certified quality management system (NSF), its products have been Kosher and Organic certified.

In close cooperation with SPI Group, FTF produces premium quality Cenote tequila, as well we are serving other private label customers. Starting from July 2019, FTF has become a proud producer of Villa One tequila, which was developed in cooperation between SPI Group and American singer-songwriter Nick Jonas and fashion designer John Varvatos.

Production of Villa One – presented by Silver, Reposado and Anejo types, has rapidly become one of the top brands with 8.9k 9lcs produced in 2019.

The distillery in 2019 received a certificate from the government of Mexico approving the extensive care towards environment. FTF has its own wastewater treatment plant, 85% of factory electricity needs are ensured from renewable sources, they control their emission and noise levels and they abide several other criteria that are not even defined by the government.

Since finalisation of solar panel installation project in late 2018, FTF has gained opportunity to use up to 70% of own energy resources. The plan is to receive 100% of our energy needs from the sun in the near future, allowing our production facility to become completely independent from fossil fuel energy. This will help FTF to protect the environment and not to harm our planet - which provides us with those wonderful agave plants from which we produce our exceptional tequilas.

Our team

Creating the extraordinary. Everyday. Everywhere.

Corporate Governance: ABG Supervisory Board

Mark Garber
Non-Executive Chairman

Seymour Paul Ferreira
Member

Sergey Kovanda
Member

Nicolas Susgin
Member

Todd Culyba
Member

Jekaterina Stuģe
Member

Arturs Evarts
Secretary

The main functions of the Supervisory Board are:

- To ensure corporate governance framework
- To provide strategic direction for the Group's development
- To provide expertise and guidance in relation to the Group's international operations
- To supervise key areas of the Group's operations, performance and compliance

Our team

Seymour Paul Ferreira,
ABG Chief Executive Officer

Jekaterina Stuģe,
ABG Chief Financial and Operations Officer

Arturs Evarts,
ABG Chief Legal Officer

Pepijn Janssens,
ABG Chief Marketing Officer, Managing Director US

Walter Kooijman,
Managing Director, EMEIA and Global Travel and Retail

Simon Thomas,
Managing Director, UK

Patrick Borg,
Managing Director, Asia-Pacific

Pāvels Fiļipovs,
Managing Director, Latvia and Estonia

Marek Kuklis,
Managing Director, Lithuania

Strategy in action

Deliver. Strengthen. Achieve. Build. Generate.

Strategy in action

The main pillars of ABG strategic activities are to:

Deliver quality and value to our consumers, customers and suppliers

Strengthen our market positions in all key sectors by building and or acquiring brands and companies

Achieve operational effectiveness and efficiency by applying rigour to everything we do

Build a truly effective international team with an ambitious, high performance culture

Generate superior business value through relentless focus on performance

What we do

Deliver

Consumer experience

ABG puts the consumer at the heart of everything we do. At the core of our consumer focus is a drive to deliver extraordinary brand experiences.

We have developed a deep understanding of the states of customer needs and our local teams continuously generate actionable insights in respect to consumer usage and attitudes, lifestyle preferences and consumption occasions in each of our focus markets.

We leverage these insights to ensure we deliver consumer and customer value propositions across a wide scope of profitable consumption occasions, either with our own brands, partner brands or private labels.

Deliver

Strengthen

Business intelligence

We build our consumer and market understanding by ensuring simple, focused and transparent business intelligence systems across the business and scaling insights rapidly, effectively and efficiently.

We undertake meaningful market research to understand emerging consumer trends both globally and in our individual local markets and seek to develop new brand concepts and products that match these trends ahead of our competitors.

Deliver

Achieve

Effective and efficient new product development

We execute a world-class NPD (new product development) process to bring high quality, profitable products to the market within short lead times from concept to market.

Our NPD process is focused on delighting consumers with ongoing new category innovations, which also makes commercial sense for ABG and our trade partners.

What we do

Deliver
Achieve
Generate

Product portfolio analysis

We perform ongoing detailed reviews of our product portfolio, to ensure that we have attractive products that meet consumer needs at all price points and which perform according to external benchmarks and clear internal standards.

Deliver
Achieve
Generate

Brand portfolio management

We carefully review all opportunities to add further distribution partner brands to our local portfolios, to offer a complementary and profitable brand portfolio which covers all relevant product categories and price segments.

We engage with our trade partners to ensure that the ABG portfolio addresses their respective category objectives and act as a category management partner and value generator.

Deliver
Achieve
Generate

New brands

We perform ongoing detailed reviews of market tendencies and we make innovations by developing and launching new brands. New product development and innovations are strategic priorities for ABG.

What we do

Strengthen
Achieve
Build
Generate

Mergers and Acquisitions (M&A)

ABG drives value by boldly acquiring foothold-businesses in key markets. In 2019 ABG has continued the growth strategy by acquiring Amberbev International - international distributor of beverages, Interbaltija Arka – operator of premium wine retails shops in Latvia and Mountain Spirits distribution group in Austria.

This year we made significant progress introducing a systemic approach to company on-boarding allowing us rapidly include new businesses into the Group securing faster investment recovery and synergy utilisation. On-boarding scheme includes integration across multiply group centralised functions and secures successful integration via centralised IT solutions and introduction of policies that are introduced through presentations and in-person meetings. We have developed a unified approach to the regular update of policies and producers that are constantly revitalised in the companies with reminders and presentations.

Deliver
Achieve
Generate

Brand building

We create brand experiences through new products and services and their further development and building. Our recent developed brands are Riga Black Balsam® Esspresso, Cross Keys Gin® Black Currant, Moskovskaya® Pink Vodka and Cosmopolitan Diva® Passion Fruit Fusion.

Deliver

Value-added trade relationships

Through our own distribution businesses and working with independent distribution partners in global markets, ABG has developed unique capabilities and competitive advantages in relation to the critical aspects of route-to-market management.

We focus our engagement model with all customer tiers and channels, on delivering value propositions across all five key dimensions of customer value creation, prioritised by segment.

We employ sales teams that serve the differing needs of on-trade and off-trade customer segments.

We are proud of our heartland distribution coverage - 98% of weighted distribution across the Baltic region.

What we do

Deliver

Generate

Marketing effectiveness

2019 has been a year for further development of our core brands, including the launch of Riga Black Balsam® Esspresso, Cosmopolitian Diva® Passion Fruit Fusion, Moskovskaya® Pink Vodka and Cross Keys Gin® Black Currant.

We build awareness of our brands by differentiated digital marketing, as well as developing innovative point of sale activation materials and continuously enhancing packaging.

We tactically build local capabilities to activate brand experiences in all channels during key shopper purchase and consumer consumption occasions.

Achieve

Generate

Group buying power

The Group reorganized purchasing department functions and responsibilities with a strong focus on acquiring raw materials under competitive terms – price, quality and stock levels.

ABG has developed a procurement process in order to ensure the efficient use of resources and to minimize suppliers and financial risks that ABG could face.

Procurement process is governed by respective procedure, which sets out key procurement principles, competences, processes, procurement committee and information exchange during the procurement process within ABG

Achieve

Generate

Capacity

The Group has over 10m dal (decalitre) of bottling capacity at its two bottling sites located in Latvia and facilities in Russia, Estonia and Mexico. At the moment, total capacity utilization of 40% gives us a strong platform for future growth without significant investments.

What we do

Deliver

Achieve

Generate

Quality improvement

We constantly aim to ensure that product quality is of the highest standard and seek to improve at every opportunity, whether this is new packaging or improved liquids.

Our goal is to always provide our customers clear and transparent information of the products we put on the market. We closely follow principles to procure that our products' trade dress conforms to regulations and internal standards. The labelling review process includes the assessment of general labelling information and any additional information which is placed on the label of the product in terms of the information provided to consumers as to definition, description, presentation, labelling and the protection of geographical indications of our products.

Achieve

Cost reduction

The Group strives to reduce production cost by means of the constant improvement of production processes. In 2019 Latvijas balzams continued the LEAN project that has showed immediate results in bottling area efficiency.

In addition, we work on the elimination of costs that are not adding value or reallocating resources to deliver optimum returns by centralisation of all Group back-office functions, roll-out of robotics process automatisation projects, as well as logistics and warehousing.

We have ensured tender processes in order to secure clear and transparent supply chain across all our activities. Alongside regular procurement revisions, our tendering committee is continuously working to make sure companies accumulate information on the purchase, centralisation of purchases to provide incremental efficiencies and helping to facilitate a competitive market.

Achieve

Targeted capital investment

In 2019 our focus for investments was on production facilities in Latvia to automate product recording and quality control processes, automate palletization in warehouse, improve the production of carbonated drinks, increase labelling capacity in Perm, Russia, and other investments to increase production efficiency and our competitiveness.

What we do

Achieve

Global functions

Our markets are supported by a global structure and shared service centre designed to drive efficiency, share best practice, impart knowledge and help to build capability at a local level, as well as set the standards for governance of controls, compliance and ethics.

Build

Our people

At ABG we believe that strong brands are built by strong, healthy and motivated people. This means that our top priority is to provide a culture of vitality and a dynamic working environment. We believe that our values and working principles contribute to a culture that is focused on long-term value creation.

Generate

Performance management

We continued development of the Business Intelligence (BI) tool that enables us to analyse the profitability of the Group online and within different dimensions.

In 2019 we continued the Robotic Automatization Process (RPA) project, allowing us to shift the workload from technical performance of routine operations to problem-solving mode, and implemented the Optical Character Recognition (OCR) solution to enable digital archaving of incoming documents.

We also upgraded our customer and margin management tools to switch from volume to profitability as a key performance indicator.

What we do

Generate

Working capital management

We monitor our investment in working capital and ensure that we have efficient and sufficient working capital to support the business and its growth.

Achieve

Generate

Systems

The Group continue to invest in its IT systems, to ensure that newly acquired subsidiaries can be fully integrated with easy to implement processes and procedures developed by ABG.

Deliver

Strengthen

Achieve

Build

Generate

Compliance

We are building our business by placing the highest priority on compliance.

Our aim is to fulfill our responsibilities to the best of our ability and to meet the expectations of our clients and society. We are constantly tracking the conformity of the activities of the companies as well as their employees with the requirements of international, national, industry-specific and applicable foreign law as well as internal policies and procedures, and with the decisions of relevant managerial bodies.

To evaluate our Group from the compliance perspective , we are focused on risk assessment through a systematic process of evaluating of our activities. It is applicable across all functions and countries where we operate, driving better commercial decisions for growing and sustainable business.

Principal risks

ABG believes that the following risks are the principal ones that its business is exposed to. The steps taken by ABG to manage and mitigate these risks are listed below. If any of these risks occur in practice, ABG's business, financial condition and performance might be affected and the value of its shares might decline. Some of these risks are beyond the control of the Group and this list is not comprehensive, as other risks and uncertainties may arise in a changing business environment. Overseeing risks and monitoring the risk management function is the responsibility of the Supervisory Board and the Board of Managers. Risk management is a topic that is regularly discussed at Supervisory Board meetings.

Risk	Description and impact	How we manage and mitigate
Economic and political change **Deliver** **Strengthen**	The Group's results are affected by economic conditions persisting in its key geographic markets and the level of consumer confidence and spending. The Group mainly operates in the Baltic markets, where there is a risk of economic and regulatory uncertainty. In addition, local laws and regulations are not always fully transparent, can be difficult to interpret and may be applied inconsistently. Ongoing political tensions between Russia, EU member states and the US are creating instability throughout Eastern Europe. Uncertainty regarding Brexit timeline and potential futher cooperation solutions drives consumer habits.	We monitor and analyse economic indicators and consumer consumption, which directly influences our product portfolio and new product development. For the most part, countries in which we are operating are EU member States and, therefore, are subject to EU regulation. We monitor the economic conditions within the market, review our product portfolio and routes to the market and adjust our activities accordingly. We are looking for ways to diversify our market presence and look for business and investment opportunities outside Europe.
Taxes **Deliver** **Strengthen** **Generate**	Increase in taxes could adversely affect the demand for the Group's products, which is extremely sensitive to fluctuations in excise duties, since taxes represent the largest component of the sales price of alcoholic beverages. The Group may be exposed to tax liabilities resulting from tax audits. The Group has faced, is currently facing and may in the future face, audits and other reviews by tax authorities. Changes in tax laws and their interpretation and increased enforcement actions and penalties may alter the environment in which the Group is operating. In addition, certain tax positions taken by the Group are based on industry practice and external tax advice or assumptions, involving a significant degree of judgment.	Excise tax increases which are significant in a our markets tend to have a negative impact our operations. Consequences of tax changes and resulting changes in buying behaviour are constantly monitored and market positioning is adjusted where necessary

Risk	Description and impact	How we manage and mitigate
Consumer preferences **Deliver**	Consumers move away from our brands to alternative products. Suboptimal routes to consumers and customers. A less efficient business model compared to key competitors.	We develop a highly diversified portfolio of brands to ensure coverage of consumer occasions and price points. We systematically review emerging consumer and route-to-customer trends including potential disruptive technologies. We continuously assess the existing business model looking for optimization opportunities, business efficiencies and value-added investments.
Marketplace and competition **Deliver** **Achieve** **Build**	ABG is operating in a highly competitive environment and faces pressure from both local and international spirits producers, which may result in the downward revision of prices and loss of market share. Changes in the Group's distribution channels may also have an adverse effect on its profitability and business. The Group's revenue is mainly derived from a limited number of customers. The Group may not be able to maintain its relationships with these customers, or renegotiate agreements on favourable terms, or collect payments from some customers, which will affect its financial situation.	We continually evaluate our route-to-consumer and adapt our business model as appropriate. We cover directly traditional and small format stores and work closely with wholesaler partners. We trade across all channels and actively manage our profit mix. Also, key retailers bear notable risk. The share of key retailers like RIMI and Maxima delivers 19% of ABG businesses, while at the same time they are responsible for 50% of retail market in Baltics. Our broad distribution network enables us to limit the impact of key retailers on our current and future business.

Risk	Description and impact	How we manage and mitigate
Talent **Build**	The Group's success depends on the skills of key personnel and its ability to retain such personnel.	As a member of local professional associations, we are up to date on the latest employment trends within markets. The Group pursues a remuneration policy aiming to retain, motivate and attract key personnel. Every other year we participate in reward surveys, provided by leading reward consulting companies, to receive remuneration benchmarks for each market we operate. As a matter of routine, we review team performance and individual performance for which bonuses are awarded for the successful fulfillment of KPIs. Talent development is important at ABG, so employees are encouraged and supported to develop in their career by learning new skills and challenging themselves to grow into new positions. We promote their development, either through training focused on job-specific skills or on personal development and/or coaching. The Group invests in professional, business and competence development and trainings across all levels of Group companies' organization and in clever recruitment to ensure that the best talents are approached, and employee turnover is as healthy as possible. Our values – Tenacity, Entrepreneurship, Fun, Excellence, Speed, and Teamwork are core of our organizational spirit. Value week, organized for four consecutive years in order to share, strengthen and develop the understanding of values, has become a significant event in a Group.

Risk	Description and impact	How we manage and mitigate
Supply of raw materials and resources Deliver Achieve Generate	Any changes in prices or the availability of supplies and raw materials could have a materially adverse effect on the Group's business. Commodity price changes may result in increases in the cost of raw materials and packaging materials used by the Group due to factors beyond the Group's control. The Group may not be able to pass on increases in the cost of raw materials to its customers or required adjustments may not be immediate and may not fully offset extra costs incurred or may cause a decline in sales. In addition, the focus is on uninterrupted deliveries of packaging and raw materials, keeping stock levels as low as possible.	During 2019, the Group renegotiated the terms of contracts for the supply of core raw materials that resulted in material savings and provided flexibility for our sales team for exploring our products in new export markets. Overall, the Group keeps track of and compares market prices of raw materials and services, to be competitive and manage pricing fluctuations.
Funding and liquidity Achieve Generate	Due to market conditions, the Group may be exposed to unexpected liquidity problems, which may lead to an increase in debt. The availability of financing in the longer term depends on certain factors which are not controlled by the Group, including adverse capital and credit market conditions. Higher interest rates and more stringent borrowing requirements could increase the Group's financing charges and reduce its profitability. Credit risk arises from liquid assets, derivative instruments and balances with banks, as well as credit exposure to customers, including outstanding receivables and agreed transactions. Exchange rate fluctuations could have a material adverse effect on the company's business, financial condition and results of operations.	The Group closely controls cash, future requirements for funding and the external market for financing. We undertake detailed reviews of both short term and longer-term liquidity requirements on a regular basis. We are confident that we have the appropriate processes and relationships in place to handle any unexpected liquidity problems and that we will continue to have access to required funding in the future. The company has implemented a credit policy and monitors its exposure to credit risk on an ongoing basis. The Group's strategy is to align of incoming and outgoing cash flows in country specific currency and all remaining agreements maximize in Group functional currency.

Risk	Description and impact	How we manage and mitigate
Cyber threat Deliver Achieve	Cyber attacks might result in financial loss, operational disruption, and reputational damage.	We constantly focus on insider threats by tightening "privileged access" to critical applications. Mandatory e-learning and regular phishing exercises to global workforce help us to identify critical issues promptly so that we can develop the most appropriate action plans for risk mitigations. We engage experts to perform intelligence-led, proactive hunting and monitoring of threats. We use high risk market cyber stress tests addressing security gaps.
Data privacy Deliver Achieve	Non-compliance with data protection regulations may harm our reputation with consumers, customers and/or our people and may also result in a financial penalty of up to 4% of global turnover.	We have implemented a Global Data Privacy programme with global data privacy policy, training and communication. Regular briefings to the Board, Executives and other senior leadership on our General Data Protection Regulation (GDPR) Readiness Program are carried out. We perform Privacy Impact Assessments in key risk areas of the business concerning the proper use of data. We perform risk assurance at a market and global functions level.

Risk | Description and impact | How we manage and mitigate

Brand Protection and IP

Deliver

Achieve

Generate

Look-alike products and brands, as well as counterfeit products are damaging brand equity and may heavy impact sales.

We carefully evaluate the brands in the development phase in order to make sure that the brand would be trademarked and would therefore enjoy the protection granted under the respective regulatory regimes and protect business and intellectual property. We maximize the business' competitive position monitoring the competitive environment, in order to promptly identify possible unfriendly actions and counterfeit cases.

Major litigations and fraud

Deliver

Achieve

Generate

Any major litigation could have a materially adverse effect on the Group's business, resulting in financial losses or the leakage of information.

We implement a litigation avoidance strategy, i.e. ABG constantly adapts and improves its practices to avoid potential conflicts. This is achieved by continuously reviewing transaction documents, developing and upgrading contracts drafts to be used in business activities, as well as providing recommendations for business, operation aand compliance measures in order to meet legislative requirements and avoid claims. We developed and follow the respective policies and procedures in order to minimize the risk of fraud and the leakage of information. We train managers and other employees to make sure that they are promptly informed of requirements and are prepared to conduct or avoid specific actions, which could trigger the risk of claims. We respond to risky situations promptly, reviewing and preparing to mitigate them during the course of regular management meetings. We seek professional assistance in cases where it is required in order to protect the Group's interests.

Risk | Description and impact | How we manage and mitigate

Product quality issues

Deliver

Achieve

Generate

Product quality deviation may lead to costumers' disappointment and brand image deterioration.

We constantly aim to ensure that quality of our products is of the highest standard and seek to improve at every opportunity, whether this is new packaging or improved liquids. This is reached through continued investments in production upgrade bringing modern technologies in product quality evaluation.

Geopolitical and macroeconomic instability, sanction regime compliance

Deliver

Achieve

Strengthen

Risk of broad geopolitical turmoil and the resurgence of macroeconomic crisis.

Non-compliance with AML (anti-money laundering) and sanctions could result major penalties from state authorities.

We continually evaluate the geopolitical and macroeconomic situation and perform the best efforts to minimize risk.

For many years we have closely working with our clients and partners to secure effective and sustainable working relationships. In our cooperation we are focusing on compliance with high standards and local regulations. We have adopted programs to manage various potential risks in connection with our business partners, including credit risk and Know Your Client (KYC) principle by performing AML and sanctions checks. We are performing regular training of employees to make sure that they are informed about the latest KYC requirements.

Social responsibility

We continuously invest in our development while not compromising the welfare of society and the environment.

Social Responsibility

Society

We work to ensure that our business activities have a positive impact on the well-being of our employees and on society in general

We see the minimization of potential negative effects of our products on society as one of our main social responsibility tasks; therefore, we educate society and consumers on responsible consumption of alcoholic beverages by participating social education campaigns. We are offering our products on the market in a responsible manner and we set clear marketing guidelines, which are aimed at consistent compliance with the requirements of the legislation. In 2019, no violation was recorded by the Group in product communication.

Several of our companies support educational institutions, where future industry specialists are trained, offering internship opportunities to familiarize them with the specifics of our business. For a second year in a row, we are proud sponsors of the symphony orchestra festival featuring world-class musicians - Riga Jurmala Music Festival – and offer premium beverages to its guests.

Environment

We continuously work to ensure a responsible approach to environmental issues

When modernizing production processes and buying new equipment, we always evaluate the compliance of new equipment with environmentally friendly requirements. All equipment purchased in 2019 promotes lower energy use, narrowing our footprint on environmental factors. Several ABG production companies uses water from artesian wells that are located in their territory. Also, where possible, we are trying to ensure our electricity needs from renewable sources. Several ABG companies conducts CO_2 emissions controls. In selecting packaging of our products, we prioritize environmentally friendly solutions that are commensurate with the requirements of production processes. We assume responsibility for waste management, regularly delivering scrap paper, scrap metal and environmentally dangerous waste for recycling.

Work Safety

We take care of our employees by providing safe, stable and good working conditions, social guarantees, and benefits

At ABG we respect the principle of equality and diversity. We care for the workplace environment of our employees; therefore, several offices and production facilities were improved last year. To have healthy and work-capable employees, in 2019 we spent significant financial resources on employee health insurance, mandatory health checks and accident insurance if needed.

Employee safety is one of our priorities. To this end, the company ensures regular awareness-raising and educational activities for the staff, for which purpose various materials are prepared and briefing and training sessions are organized. Employees are constantly reminded not to come to work sick. It is also reminded regularly that the staff have to use appropriate workwear and personal protective equipment and observe hygiene requirements. The company also regularly reminds about reporting of near misses. Working areas have all required warning and information signs, such as those concerning the risk of explosion, the availability of first-aid kits, the mandatory use of hearing protectors, slippery surfaces, irritant and corrosive substances, repairs in progress, etc. The company monitors the workplace environment on a regular basis by conducting audits and checks.

Quality

Our production processes are carried out in accordance with the Quality Management Manual developed by our production companies.

We work with the ISO 9001:2015 certified manufacturing control system, affirming the compliance of production processes with international requirements. We have developed, implemented and maintained the self-controlling system according to HACCP production principles to ensure the compliance of products with European Union, Republic of Latvia and other special market requirements.

We have developed a supplier quality cost calculator, which shows additional estimates of costs that are related to downtimes or additional work due to bad quality raw materials. The goal of the project is to create a supplier history (quality valuation) that can be considered in future procurement tenders. Our laboratories are provided with an equipment that is testing the content of both distilled spirits and fermented beverages, thereby significantly improving the work by reducing beverage testing times.

The consumers of our products are those affected parties for whose satisfaction our employees at the Customer Service Centre care every day. We ensure an instantaneous feedback link from consumers, processing complaints, suggestions, reviews or simply questions and forward them to relevant Group's specialists. All viewpoints expressed are regularly analysed, and data are compiled for a customer and consumer satisfaction index.

Economy

We actively participate in the development of the local business environment

Some of our companies are among the largest taxpayers in the country, having paid several million euro to the state budget. In conducting our operations, we cooperate with state oversight institutions. Our production companies actively cooperate with farmers, purchasing from them raw materials for making some of our legendary beverages. In cooperation with several organizations, the company supports initiatives that are aimed at reducing the proportion of the shadow economy in the alcohol industry, developing a sustainable tax policy, establishing a competitive business environment, etc.

We are active members in national associations of:

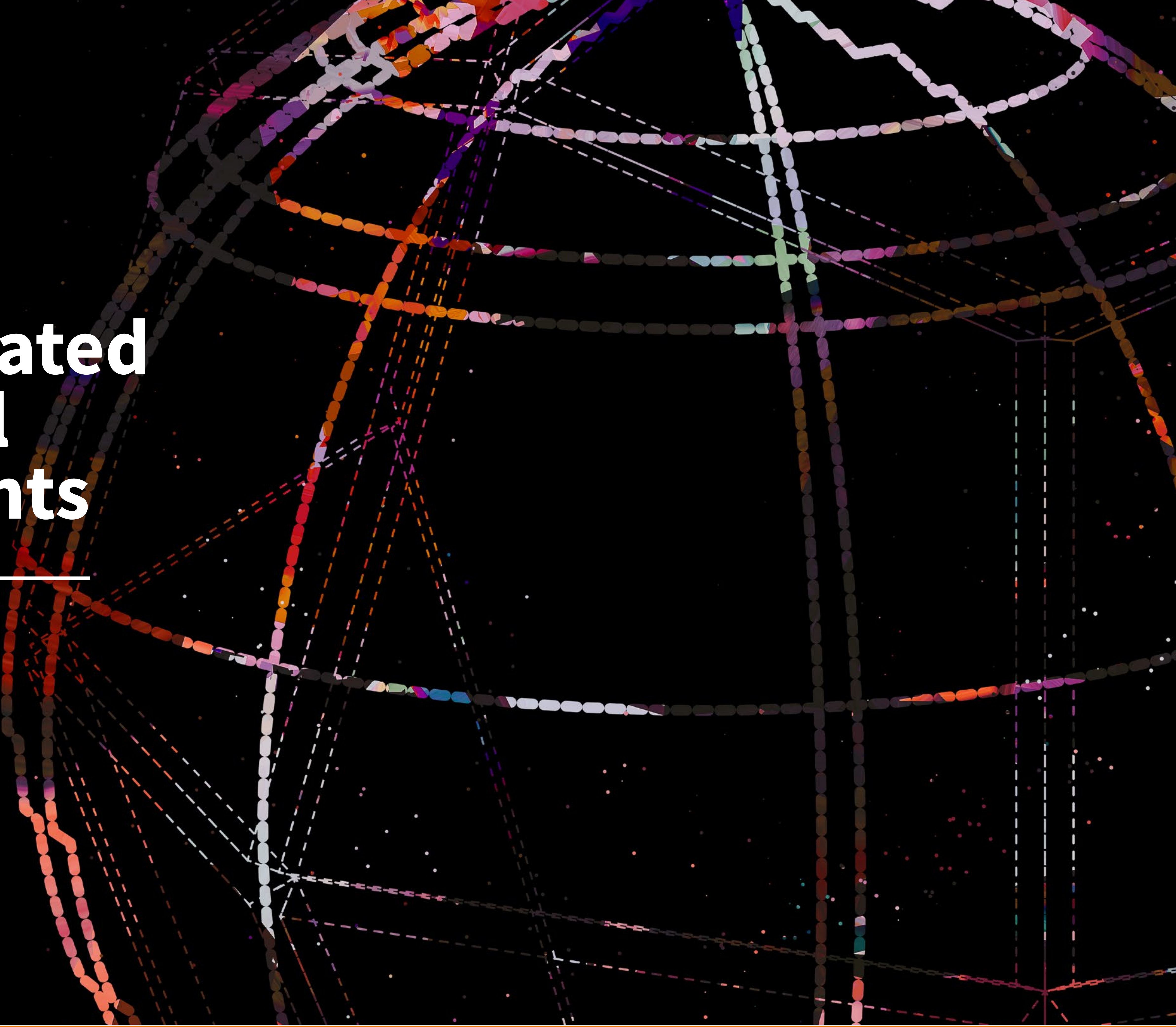
- Producers of alcoholic beverages in Latvia, Russia and Mexico;
- Entrepreneurs, employers and investors in Latvia, Lithuania, the United Kingdom and Russia;
- Retailers and distributors in Latvia and the United Kingdom and many others.

Market

Amber Beverage Group responds to consumer needs and preferences

We follow the principles of ethical marketing communication and observe all current legislation regarding marketing communication and advertising in 175 markets. We implement fair partnerships with our business partners and a transparent purchasing policy by demanding from suppliers conformity with the highest quality standards. In 2019, we implemented cooperation with suppliers in accordance with the company's Anti-Corruption Policy and Procurement Procedure; no violations were recorded in 2019. We implement a responsible, planned cooperation with the distributors of our products, guaranteeing the quality of production and implementing the business according to statutory requirements.

Consolidated Financial Statements



Contents

Primary Statements

Consolidated Statement of Comprehensive Income

	Notes	2019 EUR 000	2018 EUR 000
Revenue	5	421 677	371 132
Excise tax and duties		(149 534)	(128 508)
Net revenue		272 143	242 624
Cost of goods sold	6.1	(184 495)	(169 497)
Gross profit		**87 648**	**73 127**
Selling expense	6.2	(48 213)	(37 291)
General and administration expense	6.3	(21 708)	(18 996)
Net impairment losses of financial assets		(11)	(366)
Other operational income		5 687	6 971
Other operational expense		(6 586)	(1 023)
Merger and acquisition related costs		(355)	(428)
Operating profit		**16 462**	**21 994**
Finance income	9	6 742	1 375
Finance costs	9	(3 206)	(7 898)
Profit before tax		**19 998**	**15 471**
Corporate income tax	10	(2 446)	(834)
Profit for the period		**17 552**	**14 637**
Attributable to:			
Equity holders of the parent		14 466	13 487
Non-controlling interest		3 086	1 150
		17 552	**14 637**
Other comprehensive income (cannot be subsuquently reclassified to profit or loss)		(1 273)	1 660
Total comprehensive income for period		**16 279**	**16 267**
Attributable to:			
Equity holders of the parent		13 193	15 148
Non-controlling interest		3 086	1 150
		16 279	**16 297**

These consolidated financial statements on pages 94 to 158 were approved by the Board of Managers on 29 May 2020 and signed on its behalf by:

Seymour Paul Ferreira
Chairman of the Board of Managers

Consolidated Statement of Financial Position

Assets

	Notes	31/12/2019 EUR 000	31/12/2018 EUR 000	31/12/2017 EUR 000
Non-current assets				
Intangible assets	12	53 850	56 160	51 065
Property, plant and equipment	13	49 753	51 632	51 585
Rights-of-use assets	14	9 409	–	–
Investment properties	15	1 808	1 912	664
Loans to related parties	25.2	23 481	23 458	27 728
Other non-current financial assets		502	329	417
Non-current financial investments		3 163	2 632	2 752
Deferred tax asset	10	–	26	28
Total non-current assets		**141 966**	**136 149**	**134 239**
Current assets				
Inventories	16.1	69 308	67 260	57 281
Trade and other receivables	16.2	121 754	111 527	84 240
Loans to related parties	25.2	1 506	1 027	53
Corporate income tax	10	665	1 329	431
Cash and cash equivalents	26	8 142	4 048	4 166
Total current assets		**201 375**	**185 191**	**146 171**
Total assets		**343 341**	**321 340**	**280 410**

These consolidated financial statements on pages 94 to 158 were approved by the Board of Managers on 29 May 2020 and signed on its behalf by:

Seymour Paul Ferreira
Chairman of the Board of Managers

Consolidated Statement of Financial Position

Equity and liabilities

	Notes	31/12/2019 EUR 000	31/12/2018 EUR 000	31/12/2017 EUR 000
Capital and reserves				
Share capital	21	13	13	13
Share premium	21	132 553	132 553	132 553
Foreign exchange revaluation reserve		(998)	259	(707)
Other reserves		1	–	–
Pooling reserve	22	(17 978)	(17 673)	(21 783)
Derivatives revaluation reserve		(192)	(176)	(49)
Retained earnings		27 384	23 897	11 678
Profit for the period		14 466	13 487	12 549
Total attributable to equity holders of the parent		**155 249**	**152 360**	**134 254**
Non-controling interest		9 307	6 295	4 575
Total equity		**164 556**	**158 655**	**138 829**
Liabilities				
Non-current liabilities				
Interest bearing loans and borrowings	18	50 670	22 841	25 709
Leases	19	5 416	2 032	913
Trade and other payables	16.4	109	50	–
Deferred tax liability	10	246	64	–
Derivatives		192	175	49
Total non-current liabilities		**56 633**	**25 162**	**26 671**
Current liabilities				
Interest bearing loans and borrowings	18	16 182	37 820	27 269
Leases	19	2 822	831	557
Trade and other payables	16.4	61 449	57 893	59 994
Taxes payable	16.3	41 699	40 979	27 091
Total current liabilities		**122 152**	**137 523**	**114 911**
Total liabilities		**178 785**	**162 685**	**141 581**
Total equity and liabilities		**343 341**	**321 340**	**280 410**

These consolidated financial statements on pages 94 to 158 were approved by the Board of Managers on 29 May 2020 and signed on its behalf by:

Seymour Paul Ferreira
Chairman of the Board of Managers

Consolidated Statement of Changes in Equity

	Share capital EUR 000	Share premium EUR 000	Foreign exchange revalutation reserve EUR 000	Pooling reserve EUR 000	Derivatives revaluation reserve EUR 000	Other reserves EUR 000	Retained earnings EUR 000	Profit for the period EUR 000	Total EUR 000	Non-controlling interest EUR 000	Total equity
	Attributable to the equity holders of the parent										
1 January 2018	**13**	**132 553**	**(707)**	**(21 783)**	**(50)**	**–**	**11 348**	**12 549**	**133 923**	**4 575**	**138 498**
Transfer of prior period result	–	–	–	–	–	–	12 549	(12 549)	–	–	–
Dividend payment	–	–	–	–	–	–	–	–	–	(93)	(93)
Profit for the period	–	–	–	–	–		–	13 487	13 487	1 150	14 637
Other comprehesive income	–	–	966	821	(126)	–	–	–	1 660	–	1 660
Total comprehensive income	**–**	**–**	**966**	**821**	**(126)**	**–**	**–**	**13 487**	**15 147**	**1 150**	**16 297**
Acquired during the period	–	–	–	3 289	–	–	–	–	3 289	663	3 952
31 December 2018	**13**	**132 553**	**259**	**(17 673)**	**(176)**	**–**	**23 897**	**13 487**	**152 360**	**6 295**	**158 655**
Transfer of prior period result	–	–	–	–	–	1	13 487	(13 487)	1	–	1
Dividends	–	–	–	–	–	–	(10 000)	–	(10 000)	(74)	(10 074)
Profit for the period	–	–	–	–	–	–	–	14 466	14 466	3 086	17 552
Other comprehesive income	–	–	(1 257)	–	(16)	–	–	–	(1 273)	–	(1 273)
Total comprehensive income	**–**	**–**	**(1 257)**	**–**	**(16)**	**–**	**–**	**14 466**	**13 193**	**3 086**	**16 279**
Acquired during the period	–	–	–	(305)	–	–	–	–	(305)	–	(305)
31 December 2019	**13**	**132 553**	**(998)**	**(17 978)**	**(192)**	**1**	**27 384**	**14 466**	**155 249**	**9 307**	**164 556**

Consolidated Statement of Cash Flows

	Notes	2019 EUR 000	2018 EUR 000
Cash flow from operating activities			
Profit for the period before taxation		19 998	15 471
Adjustments for:			
Depreciation and amortisation charge	6	8 837	6 093
Impairment/ (reversal of impairment) of property, plant and equipment and intangible assets	12, 13	4 955	(96)
Net gain on disposal of property, plant and equipment and intangibles		(357)	(369)
Interest income	9	(1 523)	(1 242)
Interest expense	9	2 712	2 475
		34 622	**22 332**
Working capital changes			
Increase in inventories		(1 384)	(2 949)
Increase in trade and other receivables		(5 159)	(14 307)
(Increase)/ decrease in trade and other payables		(6 047)	12 339
Cash generated from operations		**22 032**	**17 415**
Corporate income tax paid		(1 551)	(3 176)
Net cash generated from operating activities		**20 481**	**14 239**
Cash flows used in investing activities			
Payments to acquire property, plant and equipment		(4 425)	(4 174)
Payments to acquire intangible assets		(1 170)	(948)
Proceeds from disposal of property, plant and equipment		804	1 143
Payment for acquisition of subsidiaries, net of cash acquired	11	(3 988)	(12 088)
Net cash used in investing activities		**(8 779)**	**(16 067)**
Cash flows used in financing activities			
Interest paid		(2 114)	(1 540)
Change in overdraft		(27 092)	16 562
Borrowings received		44 000	4 560
Borrowings from related parties		6 153	1 903
Repayment of borrowings		(18 376)	(18 737)
Lease payments		(2 866)	(945)
Dividends paid to Parent Company's shareholders		(7 239)	–
Dividends paid to non-controlling interests in subsidiaries		(74)	(93)
Net cash used in/ generated from financing activities		**(7 608)**	**1 710**
Net change in cash and cash equivalents		**4 094**	**(118)**
Cash and cash equivalents at the beginnging of the period		**4 048**	**4 166**
Cash and cash equivalents at the end of the period	26	**8 142**	**4 048**

Notes to the Consolidated Financial Statements

Accounting information and policies

This section describes the basis of preparation of the consolidated financial statements and the Group's accounting policies that are applicable to the financial statements as a whole. Accounting policies, critical accounting estimates and judgements that are specific to a note are included in the note to which they relate. This section also explains new accounting standards, amendments and interpretations, that the Group has adopted in the current financial year or will adopt in subsequent years.

1. General Information

These consolidated financial statements were approved and authorised for issue by the Board of Managers of Amber Beverage Group Holding S.à r.l. (the Parent Company) on 29 May 2020.

The Parent Company was incorporated on 26 September 2017 under the laws of Grand Duchy of Luxembourg with the registered number B218246 as Amber Beverage Group Holding S.à r.l. The Parent Company's registered office is at 44 Rue de la Vallee, Luxembourg (until 10 April 2020: 42, Rue de la Vallee, Luxembourg).

As of 31 December 2019 Amber Beverage Group (further on – the Group or ABG) consists of thefollowing companies – the Parent Company, Amber Beverage Group SIA (Latvia), Latvijas balzams AS (Latvia), Amber Distribution Latvia SIA (Latvia), Bravo SIA (Latvia), Amber Distribution Estonia OU (Estonia), Bennet Distributors UAB (Lithuania), Amber IP Brands S.à r.l. (Switzerland), Fabrica de Tequilas Finos S.A. de C.V. (Mexico), Interbaltija AG AS (Latvia), Amber Beverage Group UK Limited (the UK), Cellar Trends Holding Ltd (the UK), Cellar Trends Ltd (the UK), Tamboskoye spirtovoye predpriyatiye "Talvis" OA (Russia), Permalko OA (Russia), Remedia AS (Estonia), Think Spirits Pty Ltd (Australia), Amberbev International Ltd (until 8 October 2019 – DDE Holding Ltd) (Cyprus) – acquired in 2019, Mountain Spirits Österreich GmbH (Austria)– acquired in 2019, Mountain Spirits Deutschland GmbH (Germany) – acquired in 2019, Barexpress Getränke GmbH (Austria) – acquired in 2019, Interbaltija Arka SIA (Latvia) – acquired in 2019, Skoniu Krastas UAB (Lithuania)– incorporated in 2019 (see also Note 27).

The Parent Company, together with its subsidiaries (the Group), is involved in production and distribution of branded spirits in the European Union (the EU) and global markets.

The approval of the consolidated financial statements of the Group at a meeting of shareholders shall be postponed if, disputing the correctness of separate positions in the consolidated financial statements, the postponement is requested by shareholders who represent at least one tenth of the equity capital.

2. Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the EU. These consolidated financial statements for the period are the fourth financial statements of the Group that have been prepared in accordance with IFRS. The consolidated financial statements have been prepared using the measurement, recognition, presentation and disclosure basis specified by IFRS for each type of asset, liability, income and expense.

The consolidated statement of cash flows is prepared according to indirect method. Expenses in the consolidated statement of comprehensive income are classified by function.

Going Concern

These consolidated financial statements have been prepared on a going concern basis as the Managers believe there are no material uncertainties that lead to significant doubt about the Group's ability to continue as a going concern in the foreseeable future.

Group Reorganisations

In 2014 the Amber Beverage Group was formed through a reorganisation of S.P.I. Regional Business Unit B.V. in which Amber Beverage Group SIA became a new parent entity of the Group.

In 2017 the further reorganisation process was performed according to which the newly established company - Amber Beverage Group Holding S.à r.l. became a new parent entity of the Group. As the reorganisation does not involve a business combination, it was accounted as a capital reorganisation using predecessor accounting method. Accordingly, although the Amber Beverage Group Holding S.à.r.l. was established during 2017, these consolidated financial statements have been prepared as a continuation of the existing Group and include financial performance and cash flows of the Group from the beginning of 2019 as well as comparative financial information for 2018 and 2017 (consolidated statement of financial position only).

Basis for Measurement

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that are recognised at fair value.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Parent Company (its subsidiaries). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and can affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that the majority of voting rights result in control. To support this presumption and when the Group has less than a majority the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Subsidiaries

Subsidiaries are part of the Group from the date of their acquisition, being the date on which the Group obtains control, and continue to be part of the Group until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights currently exercisable or convertible potential voting rights or by way of contractual agreement. The subsidiary financial statements are prepared for the same reporting year as the parent company and are based on consistent accounting policies. All intra-group balances and transactions including unrealised profit arising from them are eliminated in full.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control of a subsidiary it: (i) derecognises the assets (including goodwill) and liabilities of the subsidiary; (ii) de recognises the carrying amount of any non-controlling interest; (iii) derecognises the cumulative translation differences recorded in equity; (iv) recognises the fair value of the consideration received; (v) recognises the fair value of any investment retained; (vi) recognises any surplus or deficit in profit or loss; (vii) recognises the parent's share of any components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate (See also **Note 11.2**).

Functional and presentation currency

The functional and presentation currency of the main Group entities is euro (EUR) as the European Union is the primary economic environment in which the Group's subsidiaries operate. These consolidated financial statements are presented in thousand euros (unless stated differently).

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

During the consolidation process for entities with functional currency other than Group's functional currency, the positions of statement of comprehensive income, cash-flow statement and statement of changes in equity are revaluated at annual average exchange rate (or the average exchange rate for the period the Group has obtain the control), the positions of statement of financial position are revaluated at year-end exchange rate.

The following foreign currency exchanges rates have been applied:

	31/12/2019	2019 average	31/12/2018	2018 average	31/12/2017
USD/EUR	1.1234	1.1195	1.1450	1.1810	1.19930
RUB/EUR	69.9563	72.4553	79.7153	74.0416	69.3920
MXN/EUR	21.2202	21.5565	22.4921	22.7054	23.6612
AUD/EUR	1.5995	1.6109	1.6220	1.5858	1.53460
GBP/EUR	0.8508	0.8777	0.8945	0.88471	0.88723

Exchange differences on monetary items are recognised in the statement of comprehensive income in the period in which they arise except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets.

Reporting period

These consolidated financial statements cover the period from 1 January 2019 to 31 December 2019.

3. Changes in IFRS Standards and Interpretations

New IFRS that became effective on 1 January 2019:

IFRS 16 Leases (hereinafter – IFRS 16) (effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right-of-use asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group adopted IFRS 16 using the modified retrospective method, with the date of initial application of 1 January 2019. According to this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient, according to which the standard is applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The effect of the initial application of IFRS 16 as at 1 January 2019 is as follows:

	01/01/2019 EUR 000
Assets	
Right-of-use assets	10 367
Property, plant and equipment	(4 059)
Trade and other receivables	(56)
Total assets	**6 252**
Liabilities	
Lease liabilities	6 252
Total liabilities	**6 252**

The effect of the initial application of IFRS 16 on lease liabilities as at 1 January 2019 is as follows:

	01/01/2019 EUR 000
Lease liabilities arising from existing finance lease agreements as at 31 December 2018	2 863
Non-cancellable operating lease liabilities as at 31 December 2018	1 700
Change in assumptions on future lease payments from existing agreements	4 957
Discounting effect	(405)
Total lease liabilities as at 1 January 2019	**9 115**
including:	
Current portion of lease liabilities	2 792
Non-current portion of lease liabilities	6 323

If the Group had not applied IFRS 16, the rent of premises and equipment included in selling expenses and general and administration expenses would be higher by EUR 1 792 thousand and EUR 376 thousand respectively, while depreciation of right-of-use assets would be lower by EUR 2 062 thousand.

In 2019, the Group also recognised interest expenses of EUR 193 thousand.

The cash flow effect can be described as a decrease in net cash generated from operating activities and cash from financing activities by EUR 2 009 thousand and EUR 2 009 thousand respectively.

The following new and revised standards and interpretations became effective on 1 January 2019, but have no significant impact on the operations of the Group and these financial statements:

Prepayment Features with Negative Compensation – Amendments to IFRS 9 (effective for annual periods beginning on or after 1 January 2019).

IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019).

Annual Improvements to IFRSs 2015-2017 cycle (effective for annual periods beginning on or after 1 January 2019) (effective for IFRS 3, IFRS 11, IAS 12 and IAS 23).

Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28 (effective for annual periods beginning on or after 1 January 2019).

Plan Amendment, Curtailment or Settlement – Amendments to IAS 19 (effective for annual periods beginning on or after 1 January 2019).

Certain new standards and interpretations have been issued and become effective for annual periods beginning on or after 1 January 2020 or are not yet endorsed by the European Union:

Amendments to the Conceptual Framework for Financial Reporting (effective for annual periods beginning on or after 1 January 2020; not yet adopted by the EU). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Definition of a business – Amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2020; not yet adopted by the EU). The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs.

Definition of materiality – Amendments to IAS 1 and IAS 8 (effective for annual periods beginning on or after 1 January 2020; not yet adopted by the EU). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Amendments to IFRS 9 and IFRS 7 – Interest rate benchmark reform (effective for annual periods beginning on or after 1 January 2020; not yet adopted by the EU). These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2021; not yet adopted by the EU).

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (effective date to be determined by the IASB; not yet adopted by the EU). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The Group has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Group anticipates that the adoption of all standards, revisions and interpretations will have no material impact on the financial statements of the Group in the period of initial application.

4. Critical Assumptions and Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Impairment of goodwill

The Group's impairment test for goodwill is based on a value-in-use calculations using a discounted cash flow model. The cash flows are derived from the Group's five-year plans for goodwill impairment testing purposes and three-year plans for trademark impairment testing purposes. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, as further explained in Note 12. The Group tests annually whether goodwill has suffered any impairment.

Provisions for inventory obsolescence

Provisions are made with reference to the ageing of inventory balances and the view of management as to whether amounts are recoverable. Provisions for inventory obsolescence are determined with consideration to latest sales forecasts.

Determination of the lease term

The carrying amount of lease liabilities is measured on the basis of existing lease agreements or Management's expectations of expected reasonable extension of existing lease period if such extension option is contractually possible. The lease liabilities are remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in assessment of an option to purchase the underlying asset at the end of the lease period.

Results for the Year

This section explains the results and performance of the Group for the year ended 31 December 2019. Disclosures are provided for segmental information, operating profit, finance income and costs, and taxation.

5. Segment Reporting

In identifying its segments, management follows the Group's business specific. The Group is considered to have two main reportable segments: Production and Distribution segment.

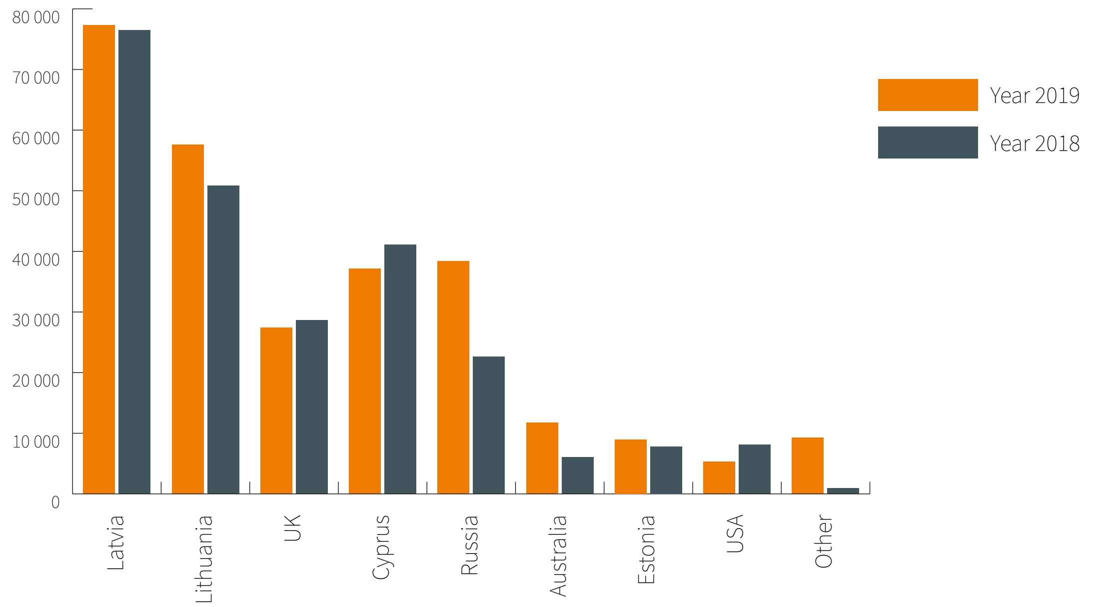
Each of these segments is managed separately as each of business areas require different approaches. All inter-segment transfers are carried out at arm's length prices.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is reduced for estimated customer returns, discounts, rebates, and other similar allowances. Revenue is shown net of value-added tax and duties or other sales taxes. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Group and these can be measured reliably. Revenue are recongized at a point of time.

	Production		Distribution		Management/ Other/ Eliminations		Consolidated	
	2019 EUR 000	2018 EUR 000	2019 EUR 000	2018 EUR 000	2019 EUR 000	2018 EUR 000	2019 EUR 000	2018 EUR 000
Net revenue								
Third party revenue	87 957	80 903	184 186	161 721	–	–	272 143	242 624
Intersegment revenue	45 609	34 579	15 254	8 064	(60 863)	(42 643)	-	-
Segment net revenue	**133 566**	**115 482**	**199 440**	**169 785**	**(60 863)**	**(42 643)**	**272 143**	**242 624**
Operating profit	**14 652**	**14 617**	**8 203**	**6 852**	**(6 393)**	**525**	**16 462**	**21 994**
Finance income							6 742	1 375
Finance costs							(3 206)	(7 898)
Income tax							(2 446)	(834)
Net profit							**17 552**	**14 637**

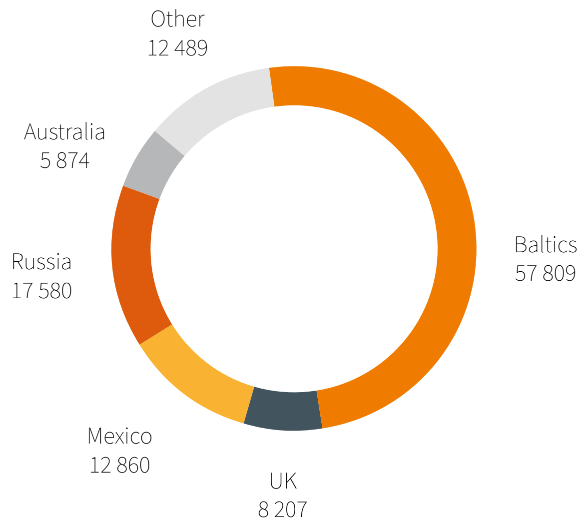
	Production		Distribution		Management/ Other/ Eliminations		Consolidated	
	31/12/ 2019 EUR 000	31/12/ 2018 EUR 000	31/12/ 2019 EUR 000	31/12/ 2018 EUR 000	31/12/ 2019 EUR 000	31/12/ 2018 EUR 000	31/12/ 2019 EUR 000	31/12/ 2018 EUR 000
Assets								
Non-current segment assets	59 998	56 102	42 371	36 881	12 450	16 739	114 819	109 722
Current segment assets	76 183	75 447	120 582	105 501	2 440	1 887	199 205	182 835
Segment assets	**136 181**	**131 549**	**162 953**	**142 382**	**14 890**	**18 626**	**314 024**	**292 557**
Deferred tax assets							–	26
Current tax receivable							665	1 329
Loans to related parties							24 987	24 485
Other non-current assets							502	311
Non-current financial investments							3 163	2 632
Total assets							**343 341**	**321 340**
Liabilities								
Non-current segment liabilities	(1 400)	(764)	(2 271)	(1 317)	(1 856)	–	(5 527)	(2 081)
Current segment liabiltiies	(43 745)	(5 897)	(56 306)	(93 191)	(5 917)	(616)	(105 968)	(99 704)
Segment liabilities	**(45 145)**	**(6 661)**	**(58 577)**	**(94 508)**	**(7 773)**	**(616)**	**(111 495)**	**(101 785)**
Deferred tax liabilities							(246)	(64)
Current tax payable							–	–
Interest-bearing loans and borrowings							(66 852)	(60 661)
Derivatives							(192)	(175)
Total liabilities							**(178 785)**	**(162 685)**
Other disclosures								
Capital expenditure	3 546	4 656	1 152	2 242	1 012	529	**5 710**	**7 427**
Depreciation, amortisation and impairment	5 028	3 956	2 723	1 750	6 040	387	**13 791**	**6 093**
Acquisition of goodwill	–	–	1 009	5 799	–	–	1 009	5 799

The Group is domiciled in Luxembourg, with the primary activities carried out in the Baltic countries (Latvia, Lithuania and Estonia). The amount of net revenue from external customers broken down by location of the customers is shown in the following graph:

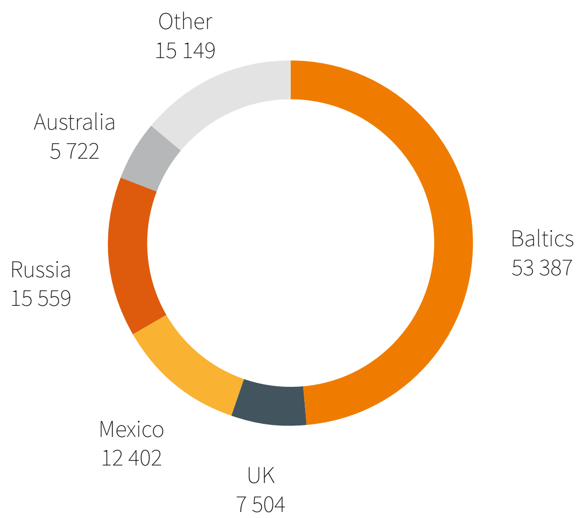


The total non-current assets other than financial instruments and deferred tax assets, broken down by location of assets, is shown in the following graphs:

2019



2018



6. Operating Profit

Operating profit for the period has been arrived at after charging (classifying expenses by nature):

	2019 EUR 000	2018 EUR 000
Gross Revenue	421 677	371 132
Excise tax and duties	(149 534)	(128 508)
Net revenue	**272 143**	**242 624**
Cost of inventories	(162 815)	(152 666)
Advertising, marketing and promotional costs	(11 830)	(7 099)
Logistic costs	(13 486)	(12 421)
Staff costs	(39 925)	(34 494)
Indirect costs of production	(19 155)	(14 033)
Other operating income	5 687	6 970
Net impairment loss on financial assets	(11)	(366)
Depreciation and amortisation - cost of goods sold	(2 268)	(1 960)
Depreciation and amortisation - selling costs	(2 996)	(1 185)
Depreciation and amortisation - administration costs	(3 573)	(2 948)
Impairment of non-financial assets	(4 955)	–
Total depreciation, amortisation and impairment of non-financial assets	(13 791)	(6 093)
M&A related costs	(355)	(428)
Operating profit	**16 462**	**21 994**

The EBITDA ratio (Earnings before interest, tax, depreciation, amortisation and impairment of non-financial assets) is calculated as following:

	2019 EUR 000	2018 EUR 000
Operating profit	16 462	21 994
Add-back for:		
Depreciation, amortisation and impairment	13 791	6 093
Total	**30 253**	**28 087**
M&A related costs	355	428
Contingent consideration adjustment	–	(2 191)
Normalized EBITDA	**30 608**	**26 324**

6.1. Costs of Goods Sold

	2019 EUR 000	2018 EUR 000
Cost of inventories	162 815	152 668
Salaries and related tax expense	10 602	8 847
Depreciation and amortisation	2 268	1 960
Utility expense	3 092	2 792
Nature resource tax	2 343	2 038
Maintenance costs	1 051	840
Change in accruals	262	(801)
Real estate tax	233	218
Insurance costs	71	80
Laboratory expense	72	68
Other production costs	1 686	787
Total	**184 495**	**169 497**

Change in costs of goods sold have been impacted by the expansion of the Group via business combinations and acquisitions under common control. See also **Note 11.1** and **11.2**.

6.2. Selling Expenses

	2019 EUR 000	2018 EUR 000
Salaries and related taxes	19 901	16 586
Advertising	11 830	7 099
Transport and logistics	7 549	5 497
Rent and maintenance of premises	1 270	2 943
Depreciation and amortisation	2 996	1 185
Maintenance of cars	387	435
Packaging materials	219	200
Change in accruals	708	335
Other distribution costs	3 353	3 011
Total	**48 213**	**37 291**

Change in selling expense have been impacted by the expansion of the Group via business combinations and acquisitions under common control. See also **Note 11.1** and **11.2**

6.3. General and Administrative Expenses

	2019 EUR 000	2018 EUR 000
Salaries and related expenses	9 422	9 061
Depreciation and amortisation	3 573	2 948
Management and professional service expense	2 196	1 018
Office expense	1 326	864
Change in accruals	841	737
Business trips	856	915
IT maintenance	648	591
Represenation	408	394
Communication	402	390
Bank commissions	202	246
Training expense	92	62
Other administration	1 743	1 770
Total	**21 709**	**18 996**

Change in general and administrative expenses have been impacted by the expansion of the Group via business combinations and acquisitions under common control. See also **Note 11.1** and **11.2**.

7. Auditor's Remuneration

The Group has paid the following amounts to its auditors PricewaterhouseCoopers and other firms in respect to the audit of the financial statements and for other services provided to the Group:

	2019 EUR 000	2018 EUR 000
Fees paid for audit and audit related services	212	222
Fees paid for other consulting services	–	–
Total	**212**	**222**

8. Staff Costs

Personnel expenses incurred by the Group during the period are analysed as follows:

	2019 EUR 000	2018 EUR 000
Wages and salaries	33 799	28 030
Social security contributions	6 126	6 464
Total	**39 925**	**34 494**

The average number of persons employed by the Group during the period, including managers was as follows:

	2019	2018
Production	1 310	1 373
Wholesale and retail	701	699
Other	73	67
Total	**2 084**	**2 139**

9. Finance Income and Costs

	2019 EUR 000	2018 EUR 000
Finance income:		
Interest income	1 523	1 242
Foreign exchange gain, net	5 133	–
Other financial income	86	133
Total finance income	**6 742**	**1 375**
Finance costs:		
Interest expense	(2 712)	(2 475)
Foreign exchange loss, net	–	(5 260)
Amortisation of loan related expense	(494)	(163)
Total finance expense	**(3 206)**	**(7 898)**
Net finance income/ (costs)	**3 536**	**(6 523)**

10. Corporate Income Tax

Corporate income tax comprises current and deferred tax of the reporting year. Corporate income tax for the reporting period is included in the consolidated financial statements based on the management's calculations prepared in accordance with requirements of tax legislation of each company of the Group. Deferred income tax arising from temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, is calculated using the liability method. Deferred income tax liabilities are determined based on the tax rates that are expected to apply when the temporary differences reverse. Deferred tax assets/liabilities are written off in the consolidated statement of comprehensive income of the reporting period based on the legislative changes resulting in a change in deferred tax base. Income taxes are recognised through profit or loss unless they relate to items recognised directly in equity.

10.1. Components of Corporate Income Tax

	2019 EUR 000	2018 EUR 000
Current tax expense	2 238	802
Change in deferred tax	208	32
Tax charge	**2 446**	**834**

10.2. Reconciliation of Accounting Profit to Income Tax Charges

	2019 EUR 000	2018 EUR 000
Profit before tax	19 998	15 471
Income tax credit calculated	3 750	3 111
Adjusting for:		
Permanent differences	(692)	(2 258)
Change in allowance for deferred tax asset	(612)	(19)
Income tax expense recognised in profit or loss	**2 446**	**834**

Effective tax rate for reporting year is 12.2% (2018: 5.4%).

10.3. Movements in Components of Deferred Tax

Year ended 31 December 2019

	31/12/2018 EUR 000	Charged to income statement EUR 000	31/12/2019 EUR 000
Temporary differences			
Property, plant and equipment	873	2	875
Tax loss carried forwards	(4 191)	604	(3 587)
Other provisions and accruals	(199)	214	15
Allowance for deferred tax asset	3 555	(612)	2 943
	38	**208**	**246**
Deferred tax asset	(26)		–
Deferred tax liabilities	64		246
	38		**246**

Operating Assets and Liabilities

This section describes the assets used to generate the Group's performance and the liabilities incurred. Liabilities relating to the Group's financing activities are included in this section. This section also provides detailed disclosures on the Group's recent acquisitions of subsidiaries.

11. Business Combinations and Acquisitions Under Common Control

Business combinations are accounted for using the acquisition method. The cost of any acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquirer's identifiable net assets.

Acquisition costs incurred are expensed and included within merger and acquisition (M&A) related costs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is initially recognised at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the statement of comprehensive income.

After initial recognition goodwill is measured at cost less any accumulated impairment losses. For impairment testing, goodwill acquired in a business combination is from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination irrespective of whether assets or liabilities of the acquisition are assigned to those units.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed, the goodwill associated with the operation disposed is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in this circumstance is measured based on the relative values of the operation disposed and the portion of the cash generating unit retained.

Acquisition of controlling interests in subsidiaries from entities under common control

Purchases of controlling interests in subsidiaries from entities under common control are accounted for prospectively from the date of acquisition, using the pooling of interests method.

The assets and liabilities of the subsidiary transferred under common control are recorded in these consolidated financial statements at the historical cost of the controlling entity (the Predecessor). Related goodwill inherent in the Predecessor's original acquisition is also recorded in the consolidated financial statements. Any difference between the total book value of net assets, including the Predecessor's goodwill, and the consideration paid is accounted for in the consolidated financial statements as an adjustment to the shareholders' equity via pooling reserve.

Acquisition of subsidiaries

The initial accounting for a business combination involves identifying and determining the fair values to be assigned to the acquiree's identifiable assets, liabilities and contingent liabilities (contingent consideration) and the cost of the combination. If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is affected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities, or the cost of the combination can be determined only provisionally, the Group accounts for the combination using those provisional values. The Group recognises any adjustments to those provisional values because of completion of the initial accounting within twelve months of the acquisition date.

11.1. Acquisitions

	2019			2018		
	Inter-baltija Arka EUR 000	Mountain Spirits group EUR 000	TOTAL EUR 000	Remedia EUR 000	Think Spirits EUR 000	TOTAL EUR 000
Assets						
Intangible assets	2	32	34	17	–	17
Property, plant and equipment	10	84	94	1 223	193	1 416
Right-of-use assets	344	743	1 087	–	–	–
Inventories	65	599	664	916	2 253	3 169
Trade receivables and other receivables	32	1 587	1 619	727	3 089	3 816
Cash and cash equivalents	120	18	138	111	126	237
Liabilities						
Non-current bank liabilities	–	–	–	(103)	(37)	(140)
Trade payables	(211)	(1 155)	(1 366)	(182)	(1 894)	(2 076)
Other payables	(15)	(770)	(785)	(1 071)	(526)	(1 597)
Borrowings and leases	(267)	(1 044)	(1 311)	(18)	(2 950)	(2 968)
Total identifiable net assets acquired	**80**	**94**	**174**	**1 620**	**254**	**1 874**
Negative goodwill arising on acquisition	–	–	–	(20)	–	(20)
Goodwill arising on acquisition	–	1 009	1 009	–	5 799	5 799
Purchase consideration	**80**	**1 103**	**1 183**	**1 600**	**6 053**	**7 653**
Cash paid	80	965	1 045	1 600	5 431	7 031
Contingent consideration	–	138	138	–	622	622
Total purchase consideration	**80**	**1 103**	**1 183**	**1 600**	**6 053**	**7 653**
Net cash acquired on acquisition	120	18	138	111	126	237
Cash paid	(80)	(965)	(1 045)	(1 600)	(5 431)	(7 031)
Net cash flow on acquisition	**40**	**(947)**	**(907)**	**(1 489)**	**(5 305)**	**(6 794)**

Interbaltija Arka SIA

On 28 August 2019, the Group acquired 100% of voting shares of Interbaltija Arka SIA, an unlisted company based in Latvia and specialising in the retail of premium wines in in Latvia. The Group acquired Interbaltija Arka in accordance with the Groups strategy on strengthening the position in distribution and retail segment in Latvia. As the result of business combination, goodwill in amount of EUR 77 thousand was allocated to Right-of-use assets.

Mountain Spirits group

On 9 December 2019, the Group acquired 90% of voting shares of Mountain Spirits Österreich GmbH and Barexpress Getränke GmbH, unlisted companies based in Austria, whose main activity is distribution of branded spirit drinks in Austria with strong focus on on-trade customers as well as serving several major traditional trade national accounts. The Group acquired the Mountain Spirits group companies in accordance with the Groups strategy on strengthening its position in Austrian market.

The goodwill of EUR 1 009 thousand comprises the synergies arising from the acquisition and the fair value of put and call options as stipulated in the share purchase agreement. The goodwill is fully recognised entirely to the distribution division. None of the goodwill recognised is expected to be deductible for income tax purposes. Contingent consideration for the purchase consideration consists of estimated payments for the remaining part of Mountain Spirits and Barexpress Getränke shares.

Since the date of acquisition, Interbaltija Arka has contributed EUR 510 thousand of revenues and profit before tax of EUR 30 thousand. Mountain Spirits group entities have contributed EUR 561 thousand of revenues and EUR 26 thousand of profit before tax from continuing operations of the Group. If the combinations had taken place at the beginning of the year, revenue from continuing operations would have been EUR 1.2 million for Interbaltija Arka and EUR 5.9 million for Mountain Spirits group entities and result before tax from continuing operations for the Group would have been profit of EUR 21 thousand for Interbaltija Arka and loss of EUR 71 thousand for Mountain Spirits group, respectively.

11.2. Business Combination Under Common Control

	2019		2018	
	Amberbev International EUR 000	Total EUR 000	Permalko EUR 000	Total EUR 000
Assets				
Intangible assets	658	658	188	188
Property, plant and equipment	–	–	1 520	1 520
Other non-current assets	7	7	1 136	1 136
Inventories	–	–	3 841	3 841
Trade receivables and other receivables	3 105	3 105	9 129	9 129
Cash and cash equivalents	180	180	1 212	1 212
Liabilities				
Non-current bank liabilities	–	–	(43)	(43)
Trade payables	(2 029)	(2 029)	(1 107)	(1 107)
Other payables	(629)	(629)	(4 426)	(4 426)
Other borrowings	–	–	(2 496)	(2 496)
Total identifiable net assets acquired	**1 292**	**1 292**	**8 954**	**8 954**
Non-controlling interest measured at fair value	–	–	(663)	(663)
Pooling reserve recognised	305	305	(3 289)	(3 289)
Purchase consideration	**1 597**	**1 597**	**5 002**	**5 002**
Cash paid	(1 597)	(1 597)	(5 002)	(5 002)
Contingent consideration	–	–	–	–
Total purchase consideration	**(1 597)**	**(1 597)**	**(5 002)**	**(5 002)**
Net cash acquired on acquisition	180	180	1 212	1 212
Cash paid	(1 597)	(1 597)	(5 002)	(5 002)
Net cash flow on acquisition	**(1 417)**	**(1 417)**	**(3 790)**	**(3 790)**

Amberbev International Ltd

On 14 February 2019 as part of the reorganisation process of SPI Group, the Group acquired 100% of voting shares and obtained control over Amberbev International Ltd (until 8 October 2019 – DDE Holding Ltd). Acquisition is considered to be combination of entities under common control, therefore net assets are recognised at historical cost and no goodwill is recognised.

As the result of acquisition of Amberbev International Ltd, the difference between the initial investment value and net assets acquired is recognised as change in Pooling reserve (see also Note 22).

11.3. Impact on Financial Results

The operating profit development in 2019 has been impacted by the merger and acquisitions (M&A) of prior years. Therefore, to allow proper benchmarking of the operating profit 2019 development in comparison to 2018, the impact of mergers and acquisitions can be presented as following:

M&A represents the share of financial performance of subsidiaries that have been included in the Group for a period less than two full reporting periods, i.e., for 2019 the M&A segment includes the operating profit generated by Amberbev International (11 months), Interbaltija Arka (4 months), Mountain Spirits Österreich (1 month), Barexpress Getränke (1 month), Mountain Spirits Deutschland (1 month) and Remedia, Think Spirits, Permalko acquired in 2018. Comparative information for M&A represents Remedia (10 months), Think Spirits (7 months) and Permalko (2 months) acquired in 2018 as well as Talvis, Cellar Trends and Interbaltija AG acquired in 2017.

	2019			2018		
	Organic Growth EUR 000	M&A impact EUR 000	Total EUR 000	Organic Growth EUR 000	M&A impact EUR 000	Total EUR 000
Revenue	368 265	53 412	421 677	286 615	84 517	371 132
Excise tax	(139 105)	(10 429)	(149 534)	(108 056)	(20 452)	(128 508)
Net revenue	229 160	42 983	272 143	178 559	64 065	242 624
Cost of goods sold	(157 861)	(26 634)	(184 495)	(130 019)	(39 478)	(169 497)
Gross profit	**71 299**	**16 349**	**87 648**	**48 540**	**24 587**	**73 127**
Selling expense	(38 825)	(9 388)	(48 213)	(27 136)	(10 155)	(37 291)
General and administration expense	(18 277)	(3 431)	(21 708)	(13 254)	(5 742)	(18 996)
Net loss from impairment of financial assets	(200)	189	(11)	(561)	195	(366)
Other operational income	5 432	255	5 687	6 952	19	6 971
Other operational expense	(5 499)	(1 087)	(6 586)	(315)	(708)	(1 023)
M&A related expense	-	(355)	(355)	-	(428)	(428)
Operating profit	**13 930**	**2 532**	**16 462**	**14 226**	**7 768**	**21 994**

12. Intangible Assets

Main categories of intangible assets accounted by the Group are goodwill, trademarks and respective registration costs, and computer software and licences. The following accounting policies are used for accounting of these assets.

(a) Goodwill

Goodwill on acquisition of subsidiaries is included in intangible assets. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill of the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Trademarks and trademark registration costs

Trademarks are recognised at purchase price including expenses incidental thereto or at production cost. Trademarks have indefinite useful life. Trademark registration expenses across the world are treated as intangible assets and are presented as part of other intangible assets. Such expenses are capitalised based on invoices and amortized over a period of three years by using straight-line method.

(c) Computer software and licences

Internal as well as external costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of three to five years.

Impairment of non-financial assets

Assets that have an indefinite useful life, are not subject to amortisation and are tested for impairment annually.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill arising through business combinations and trademarks have been allocated for impairment testing purposes to five cash-generating units (CGU) based on the core functional activity and the ownership of intellectual property. This represents the lowest level within the Group at which goodwill and trademarks are monitored for internal management purposes.

Cash generating units

The Group has identified the following cash generating units: production units (grain and agave) and distribution units (Baltics, the UK, Australia, Austria). Impairment test is performed separately for Moskovskaya® and KAH® trademarks.

	Goodwill EUR 000	Trade-marks EUR 000	Conces-sions, licences and other intangible assets EUR 000	Intangi-bles under develop-ment EUR 000	Total EUR 000
As at 31 December 2017					
Cost value	31 964	16 850	3 937	100	52 851
Accumulated amortisation	–	–	(1 786)	–	(1 786)
Net book value	**31 964**	**16 850**	**2 151**	**100**	**51 065**
2018					
Additions	5 799	–	537	411	6 747
Acquired through business combination	–	–	17	–	17
Acquired through business combination under common control	–	188	–	–	188
Amortisation	–	(25)	(838)	–	(863)
Foreign exchange differences	(1 053)	100	(41)	–	(994)
Total	**36 710**	**17 148**	**1 879**	**423**	**56 160**
As at 31 December 2018					
Cost value	36 710	17 172	4 464	423	58 769
Accumulated amortisation	–	(24)	(2 585)	–	(2 609)
Net book value	**36 710**	**17 148**	**1 879**	**423**	**56 160**
2019					
Additions	1 009	4	193	973	2 179
Reclassification	–	122	890	(956)	56
Disposals	–	–	(90)	(102)	(192)
Acquired through business combination **(Note 11.1)**	–	18	16	–	34
Acquired through business combination under common control **(Note 11.2)**	–	–	658	–	658
Amortisation	–	(58)	(1 290)	–	(1 348)
Foreign exchange differences	789	124	4	–	917
Impairment	–	(4 614)	–	–	(4,614)
Total	**38 508**	**12 744**	**2 260**	**338**	**53 850**
As at 31 December 2019					
Cost value	38 508	17 440	6 088	338	62 374
Accumulated amortisation	–	(4 696)	(3 828)	–	(2 562)
Net book value	**38 508**	**12 744**	**2 260**	**338**	**53 850**

Segment level summary of goodwill is presented as following:

	31/12/2019 EUR 000	31/12/2018 EUR 000	31/12/2017 EUR 000
Production grain	5 935	5 935	5 935
Production agave	5 929	5 594	6 008
Distribution Baltics	12 312	12 312	12 312
Distribution UK	7 688	7 312	7 710
Distribution AUS	5 635	5 557	–
Distribution AUT	1 009	–	–
TOTAL:	**38 508**	**36 710**	**31 965**

The book value of trademark portfolio is presented as following:

	31/12/2019 EUR 000	31/12/2018 EUR 000	31/12/2017 EUR 000
Moskovskaya®	10 164	14 778	14 778
KAH®	1 765	1 666	1 555
Other trademarks	815	704	517
TOTAL:	**12 744**	**17 148**	**16 850**

In 2019 has recognized partial impairment of Moskovskaya® trademark in amount of EUR 4 614 thousand. Impairment loss has been alocated to Other Operating Expenses within the consolidated statement of comprehensive income.

Impairment review

Assessment of the recoverable amount of an intangible asset, the useful economic life of an asset, or that an asset has an indefinite life, requires management estimate and judgement. Impairment reviews are carried out to ensure that intangible assets, including trademarks, are not carried at above their recoverable amounts. The tests are dependent on management's estimates and judgements, in particular in relation to the forecasting of future cash flows, the discount rates applied to those cash flows and the expected long-term growth rates. Such estimates and judgements are subject to change as a result of changing economic conditions and actual cash flows may differ from forecasts.

The Group tests whether goodwill and the book value of trademarks have suffered any impairment on an annual basis. The management has identified eight cash generated units (CGUs) – Production Grain, Production Agave, Distribution Baltic, Distribution the United Kingdom (UK), Distribution Australia (AUS), and Distribution Austria (AUT). Trademarks Moskovskaya® and KAH® are treated as separate CGUs for impairment test purposes. As CGUs Distribution Austria was acquired at the end of reporting period, it has not been selected for impairment review.

For the 2019 and previous reporting periods, the recoverable amount of the CGUs was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a three-year (for trademark related CGUs) and five-year (for other CGUs) period. Cash flows beyond the three-year or five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates. The Group reviews the CGU composition annually and amends the CGU's subject to impairment review, if needed.

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them:

	Production		Distribution			Trademark	Trademark
2019	**Grain**	**Agave**	**Baltics**	**UK**	**AUS**	**Moskovskaya®**	**KAH®**
Sales volume growth, %	2	12.8	1.3	2	3	20	26
Sales price growth, %	–	–	2.1	(0.3)	–	5.0	0.3
EBITDA margin, %	12	5	4	2	6	n/a	n/a
Replacement CAPEX	2 034	–	1 065	111	–	n/a	n/a
Discount Rate	8%	9.1%	8.0%	7.4%	7.3%	11.3%	6.2%
Terminal value growth	1.3%	1.5%	1.3%	1.3%	3.0%	1.3%	1.3%

	Production		Distribution			Trademark
2018	**Grain**	**Agave**	**Baltics**	**UK**	**AUS**	**Moskovskaya®**
Sales volume growth, %	1	25.8	2.3	2	5	46
Sales price growth, %	(0.3)	–	0.7	1.2	–	(5.2)
EBITDA margin, %	12	4	6	3	5	n/a
Replacement CAPEX	3 041	–	1 202	–	–	n/a
Discount Rate	10%	13.0%	10.0%	10.0%	10.0%	10.4%
Terminal value growth	2.5%	2.0%	2.5%	2.5%	2.5%	2.5%

Key assumptions used in the value-in-use calculations are as following:

- Sales volume - Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development.
- Sales price– small annual percentage increases assumed in all markets based on historic data;
- Growth in spirits market – assumed to be static or slightly declining in all markets based on recent historic trends;
- Growth in tequila market – assumed to be growing up to 10% per annum for next 5 years in all markets based on recent historic trends;
- Raw material cost – assumed to be at average industry cost;
- Agave price inflation – 10% annual percentage increase for next five years assumed based on recent market research data;
- Market share – through Group companies specific actions outlined in detailed internal plans, market share to be grown overall;
- Annual capital expenditure - Expected cash costs in the CGUs. This is based on the historical experience of management, and the planned refurbishment expenditure. No incremental revenue or cost savings are assumed in the value-in-use model as a result of this expenditure.
- Discount rates – rates reflect the current market assessment of the risks specific to each operation and their business model. The discount rate was estimated based on an average guideline of companies adjusted for the operational size of the Group and specific regional factors.
- The assumed growth rate used to extrapolate cash flows beyond the forecast period reflects management expectation and takes into consideration growth achieved to date, current strategy and expected spirits market growth.

Sensitivity to change in key assumptions

Impairment testing for the year ended 31 December 2019 has identified the following cash-generating units as being sensitive to reasonably possible changes in assumptions:

The recoverable amount of Production Agave CGU is estimated to exceed the carrying value by EUR 792 thousand. The recoverable amount of this CGU would equal its carrying amount if the key assumptions were to change as following:

- Average EBITDA margin (calculated on gross revenue basis) would decrease from 5% to 3%
- Discount rate would increase from 9.1% to 9,75%
- Long-term growth rate would decrease from 1.3% to 0.5%

It remains possible that changes in assumptions could arise in excess of those indicated before.

Based on impairment review results, the Group has recognized impairment on Moskovskaya® trademark in amount of EUR 4 614 thousand. This is mainly due to more conservative approach used and falling market trends for Vodka market segment development, resulting in terminal growth rate decrease from 2.5% to 1.3% and increased WACC from 10.4% to 11.3%..

For all intangibles with an indefinite life, other than the cash generating units discussed before, Management has concluded that no reasonable possible change in the key assumptions on which it has determined the recoverable amounts would cause their carrying values to exceed their recoverable amounts.

13. Property, Plant and Equipment

Recognition and measurement

Items of property, plant and equipment (PPE) are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in statement of comprehensive income.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The following useful lives are used in the calculation of depreciation:

Buildings and its components: 10 – 71 years
Machinery and equipment: 2 – 25 years
Other tangible assets: 2 – 25 years

Freehold land is not depreciated.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Impairment losses are recognised as an expense in the statement of comprehensive income.

Impairment of property, plant and equipment

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

	Land and buildings EUR 000	Machinery and equip-ment EUR 000	Other PPE EUR 000	Leasehold improve–ments EUR 000	Construc-tion in progress EUR 000	Total EUR 000
As at 31 December 2017						
Cost value	56 675	26 591	7 619	315	2 728	93 928
Accumulated depreciation and impairment	(16 254)	(20 134)	(5 000)	(80)	(875)	(42 343)
Net book value	**40 421**	**6 457**	**2 619**	**235**	**1 853**	**51 585**
2018						
Additions	57	2 217	293	72	3 840	6 479
Disposals	(21)	(177)	(30)	(3)	(543)	(774)
Reclassification	748	3 292	(611)	–	(4 588)	(1 159)
Acquired through business combination	922	394	100	–	–	1 416
Acquired through acquisition under com-mon control	887	310	38	–	285	1 520
Foreign exchange differences	(2 070)	(307)	(22)	–	(5)	(2 404)
Depreciation	(2 574)	(1 809)	(679)	(65)	–	(5 127)
Reversal of impairment	–	–	–	–	96	96
Total	**38 370**	**10 377**	**1 708**	**239**	**938**	**51 632**
As at 31 December 2018						
Cost value	57 119	31 370	7 053	372	1 717	97 727
Accumulated depreciation and impairment	(18 749)	(20 993)	(5 345)	(133)	(779)	(46 095)
Net book value	**38 370**	**10 377**	**1 708**	**239**	**938**	**51 632**
2019						
Additions	48	559	270	–	3 547	4 424
Disposals	(38)	(54)	(7)	–	(3)	(102)
Reclassification	732	1 566	215	–	(2 565)	(52)
Reclassification to Right-of-use assets	–	(3 808)	(12)	(239)	–	(4 059)
Reclassification from Right-of-use assets	–	225	–	–	–	225
Acquired through business combination **(Note 11.1)**	–	47	47	–	–	94
Foreign exchange differences	1 985	455	9	–	14	2 463
Depreciation	(2 405)	(1 411)	(716)	–	–	(4 532)
Impairment	–	–	–	–	(340)	(340)
Total	**38 692**	**7 956**	**1 514**	**–**	**1 591**	**49 753**
As at 31 December 2019						
Cost value	59 223	28 354	7 163	–	2 711	97 451
Accumulated depreciation and impairment	(20 531)	(20 398)	(5 649)	–	(1 120)	(47 698)
Net book value	**38 692**	**7 956**	**1 514**	**–**	**1 591**	**49 753**

The gross carrying value of fully depreciated property, plant and equipment that is still in use is EUR 26 320 thousand (2018: EUR 23 651 thousand).

Fixed assets of the Group with the net book value of EUR 26 million as at 31.12.2019 (2018: EUR 21.5 million) are pledged under the conditions of the Mortgage and Commercial pledge agreements as the security for loans from the credit institutions **(see Note 18)**.

14. Right-of-use Assets

Accounting policy applied as of 1 January 2019

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). The Group's right-of-use assets represent leases of real estate, production equipment and machinery items. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment, and adjusted for any remeasurement of lease liabilities. Cost includes the amount of lease liabilities recognised (including management assumptions on expected extensions of current agreements) initial direct costs incurred, and lease payments made before the commencement date less any lease incentives received. Except where the Group has sufficient confidence that the ownership of leased assets will be transferred at the end of the lease term, recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If the lease period of right-of-use assets is remeasured due to changes in assumptions or contractual rights on right-of-use assets, the asset value is adjusted respectively. Right-of-use assets are subject to impairment.

	Land and buildings EUR 000	Machinery and equipmen EUR 000	Leasehold improve-ments EUR 000	Total EUR 000
As at 1 January 2019	**5 860**	**4 268**	**239**	**10 367**
Additions	–	110	6	116
Change in management assumptions	885	92	–	977
Disposals	(101)	(50)	–	(151)
Acquired through business combination **(Note 11.1)**	919	118	50	1 087
Reclassification to property, plant and equipment	–	(225)	–	(225)
Foreign exchange differences	17	75	–	92
Depreciation	(1 959)	(805)	(90)	(2 854)
As at 31 December 2019	**5 621**	**3 583**	**205**	**9 409**

15. Investment Properties

Investment properties are land, buildings or part of buildings held by the Group to earn rentals or for capital appreciation rather than use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business and are not occupied by the Group. Investment properties is initially recognised at acquisition cost. Subsequently investment properties are carried at their cost less any accumulated depreciation and any accumulated impairment losses. The depreciation is calculated using the straight-line method. Applied depreciation rates are within the range of 10 to 71 years and are based on estimated useful life set for respective asset categories. The useful lives are reviewed, and adjusted if appropriate, at each end of the financial year. Transfers are made to (or from) investment properties only when there is a change in use.

	2019 EUR 000	2018 EUR 000
Opening balance	1 912	664
Reclassification	–	1 352
Depreciation	(104)	(104)
Closing balance	**1 808**	**1 912**

Investment properties consists of several land plots and commercial buildings in Riga, Latvia, which are held for rental income generation purposes. The fair value of investment properties is estimated to be EUR 2 011 thousand (2018: EUR 2 011 thousand). The fair value in 2018 was assessed by independent valuation expert. In 2019 the management has assessed that there are no significant changes to the market value of the investment properties.

Direct income in amount of EUR 154 thousand (2018: EUR 156 thousand) and direct expense in amount of EUR 54 thousand (2018: EUR 65 thousand) from rent of investment properties was recognised in the statement of comprehensive income.

16. Working Capital

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. When the net realisable value of inventories is lower than its cost, provisions are created to reduce the value of inventories to its net realisable value.

The cost of inventories is based on the a first-in-first-out method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at invoiced amount and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Provisions are recognised according to simplified approach of expected credit loss method.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, billed to the Group, unless the effect of discounting is material.

16.1. Inventories

	31/12/2019 EUR 000	31/12/2018 EUR 000	31/12/2017 EUR 000
Raw materials	19 925	16 940	15 467
Finished goods and merchandize	44 941	42 869	39 683
Production in progress	5 509	6 389	3 394
Goods on the way	754	2 451	481
Other	427	657	300
Provisions for obsolete stock	(2 248)	(2 046)	(2 044)
Total	**69 308**	**67 260**	**57 281**

Inventories of the Group with the book value as of 31.12.2019 of EUR 51 million (31.12.2018: EUR 52 million) are pledged in accordance with the terms of Commercial pledge agreements as the security for loans from the credit institutions (see Note 18).

16.2. Trade and Other Receivables

	31/12/2019 EUR 000	31/12/2018 EUR 000	31/12/2017 EUR 000
Gross trade receivables	95 152	81 290	63 679
Allowance for doubtful debts	(2 542)	(2 230)	(1 058)
Net trade receivables	**92 610**	**79 060**	**62 621**
Receivables from related parties	20 828	24 571	20 155
Other debtors and prepayments	8 316	7 896	1 461
Total	**121 754**	**111 527**	**84 240**

Information about major customers

Concentration of credit risk of Trade receivables with the customers of similar characteristics as at 31 December 2019 is 18% (31.12.2018: 24%).

Receivables from related party represent debt of S.P.I. Spirits (Cyprus) Ltd., as Latvijas balzams is manufacturing alcoholic beverages for S.P.I. Spirits (Cyprus), based on Private label agreement in relation to Stolichnaya trademark.

Trade receivables with the book value as at 31.12.2019 of EUR 24 million (31.12.2018: EUR 62 million) of the Group are pledged under the conditions of the Commercial pledge agreements as the security for loans from the credit institutions (see Note 18). For credit risk analysis see also Note 17.5.

16.3. Taxes Payable

	31/12/2019 EUR 000	31/12/2018 EUR 000	31/12/2017 EUR 000
Excise tax	29 509	30 231	18 582
Value added tax	9 846	8 454	5 172
Corporate income tax	99	441	2 146
Other	2 245	1 853	1 191
Total	**41 699**	**40 979**	**27 091**

16.4. Trade and Other Payables

	31/12/2019 EUR 000	31/12/2018 EUR 000	31/12/2017 EUR 000
Trade payables	41 474	39 595	36 303
Accrued expense	8 666	8 162	4 391
Payables to related parties	3 679	3 005	3 368
Dividends payable	2 761	–	
Vacation reserve	1 724	1 735	1 602
Salaries payable	964	1 081	936
Contingent consideration	748	3 991	12 167
Advances received	119	82	221
Deferred income	200	69	104
Other payables	1 223	223	902
Total	**61 558**	**57 943**	**59 994**
Out of that:			
Non-current	109	50	–
Current	61 449	57 893	59 994

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30-day terms;
- Other payables are non-interest bearing and have an average term of six months except for dividends, which are payable on demand;
- For terms and conditions with related parties refer to **Note 25.**

For explanations on the Group's liquidity risk management processes, refer to **Note 17.6.**

Contingent consideration is related to acquisition of Think Spirits Pty Ltd and Mountain Spirits Österreich GmbH **(see Note 11.1).**

Risk Management and Capital Structure

This section sets out the policies and procedures applied to manage the group's capital structure and the financial risks the group is exposed to. ABG considers the following components of its balance sheet to be capital: borrowings and equity. ABG manages its capital structure to achieve capital efficiency, provide flexibility to invest through the economic cycle and give efficient access to debt markets at attractive cost levels.

17. Risk Management

The Group's activity is exposed to various financial risks, including credit risk, currency risk and interest rate risk. The Management of the Group considers and adopts risk management policy for each of the risk. The Group's management regularly carries out financial risk assessment and monitoring in order to reduce the negative impact of financial risks on the Group's performance.

17.1. Interest Rate Risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the Group's floating rate loans and borrowings which at the end of 31 December 2019 are not hedged **(see also Note 18).**

With all other variables being constant the Group's profit before tax is affected through the impact on floating rate borrowings as follows:

	31/12/2019 EUR 000	31/12/2018 EUR 000	31/12/2017 EUR 000
At floating rates	39 238	38 929	24 281
Total	**39 238**	**38 929**	**24 281**

		Effect on profit before tax	
Currency of the borrowing	**Change in basis points**	**2019 EUR 000**	**2018 EUR 000**
EUR	+30	105	92
	–30	(105)	(92)
RUB	+30	13	9
	–30	(13)	(9)
AUD	+30	–	12
	–30	–	(12)

The assigned movement in basis points for interest rate sensitivity analysis is based upon the currently observable market environment.

The Group cash balances are held in bank and earn immaterial levels of interest. Management has concluded that reasonable changes in the EURIBOR rates will have an immaterial impact on interest income earned on the Group cash balances. No interest rate sensitivity has been included in relation to the Group's cash balances.

17.2. Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's exposure is primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Financial instruments affected by market risk include loans and borrowings and derivative financial instruments **(see also Note 18).**

17.3. Sensitivity Analysis

The Parent Company recognises that movements in certain risk variables (such as interest rates or foreign exchange rates) might affect the value of its derivatives and also the amounts recorded in its equity and its statement of comprehensive income for the period. Therefore, the Parent Company has assessed:

- What would be reasonably possible changes in the risk variables at the end of the reporting period;
- The effects on statement of comprehensive income and equity, if such changes in the risk variables were to occur (**see also Notes 17.1** and **17.4**).

17.4. Foreign currency risk

The Group operates internationally and is exposed to foreign currency risk arising mainly from the U.S. dollars, Australian dollars, Russian rubbles, Sterling pounds and Mexican pesos fluctuations resulting from purchase of raw materials and consumables as well as sales activities.

The Group's significant open currency position at the end of the reporting period is:

	31/12/2019 CUR 000	31/12/2018 CUR 000	31/12/2017 CUR 000
Financial assets in RUB	1 042 327	1 028 698	188 860
Financial liabilities in RUB	(1 515 161)	(1 346 348)	(646 776)
Open position in RUB, net	(472 834)	(317 650)	(457 916)
Open position in RUB calculated in EUR, net	**(6 759)**	**(3 985)**	**(6 599)**
Financial assets in USD	3 658	1 327	891
Financial liabilities in USD	(3 801)	(1 828)	(1 033)
Open position in USD, net	(143)	(501)	(142)
Open position in USD calculated in EUR, net	**(127)**	**(438)**	**(136)**

	31/12/2019 CUR 000	31/12/2018 CUR 000	31/12/2017 CUR 000
Financial assets in GBP	12 222	10 605	9 839
Financial liabilities in GBP	(4 399)	(8 624)	(15 060)
Open position in GBP net	7 823	1 981	(5 221)
Open position in GBP calculated in EUR, net	**9 195**	**2 215**	**(5 885)**
Financial assets in MXN	43 393	35 462	25 299
Financial liabilities in MXN	(7 685)	(44 873)	(34 092)
Open position in MXN net	35 708	(9 411)	(8 793)
Open position in MXN calculated in EUR, net	**1 683**	**(418)**	**(372)**
Financial assets in AUD	14 299	7 577	–
Financial liabilities in AUD	(12 987)	(8 178)	–
Open position in AUD net	1 312	(601)	–
Open position in AUD calculated in EUR, net	**820**	**(371)**	**–**

The following table demonstrates the sensitivity to a reasonably possible change in currency rates on outstanding financial assets and liabilities. With all other variables held constant, the Group's profit before tax is affected as follows:

	2019		2018	
	Change in currency rate	Effect on equity, EUR 000	Change in currency rate	Effect on equity, EUR 000
RUB	+10%	614	+10%	293
	-10%	(751)	-10%	(358)
USD	+10%	11	+10%	15
	-10%	(14)	-10%	(18)
GPB	+10%	(836)	+10%	(202)
	-10%	1 022	-10%	246
MXN	+10%	(153)	+10%	38
	-10%	187	-10%	(47)
AUD	+10%	(74)	n/a	(338)
	-10%	91	n/a	413

17.5. Credit risk

Credit risk is the risk that a counter-party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, foreign exchange transactions and other financial instruments.

The Group has the following types of of financial assets that are subject to the expected credit loss model:

- trade receivables for sales of finished goods and providing of services
- loans to related parties.

While cash and cash equivalents are also subject to the impairment requirement of IFRS 9, the identified impairment loss was immaterial. Impairment loss related to intercompany loans and receivables is considered to the immaterial as the cash-flow is managed at the Group level.

	31/12/2019 EUR 000	31/12/2018 EUR 000	31/12/2017 EUR 000
Issued loans to Group companies	24 987	24 485	27 781
Non-current financial assets	3 163	2 632	2 752
Net trade receivables	92 610	79 060	60 455
Receivables from related parties	20 828	24 571	20 155
Other debtors and prepayments	8 316	7 896	3 630
Cash	8 142	4 048	4 166
Total	**158 046**	**142 692**	**118 939**

The largest concentration of credit risk arisies from the debts of Group companies and loan issued to Group companies: on 31 December 2019 29% of total positions are related to Group companies (31/12/2018: 34%). Taking into account the strong position of the Group, no provisions for impairment losses on issued loans to Group companies and Receivables from related parties were made. The Group considers the credit risk on particular items to be low.

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. On that basis, the loss allowance as at 31 December 2019 was determined for trade receivables, as follows:

31 December 2019	Total	Not due	1-90	91-180	181-270	270-360	361-
Gross carrying amount - Trade receivables	95 152	76 874	13 158	3 363	438	567	752
Expected loss rate		0.4%	0.95%	15%	65%	100%	100%
Loss allowance	**2 542**	**309**	**125**	**504**	**285**	**567**	**752**

31 December 2018	Total	Not due	1-90	91-180	181-270	270-360	361-
Gross carrying amount - Trade receivables	81 290	63 814	14 819	749	113	61	1 734
Expected loss rate		0.30%	0.75%	10%	50%	100%	100%
Loss allowance	**2 230**	**192**	**111**	**75**	**57**	**61**	**1 734**

1 January 2018	Total	Not due	1-90	91-180	181-270	270-360	361-
Gross carrying amount - Trade receivables	63 679	46 688	14 925	969	115	268	714
Expected loss rate		0.30%	0.75%	10%	50%	100%	100%
Loss allowance	**1 388**	**140**	**112**	**97**	**58**	**268**	**714**

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include legal assessment and customer's existence. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The closing loss allowances for trade receivables are reconciled to the opening loss allowances as following:

	2019 EUR 000	2018 EUR 000
As at 1 January	**2 230**	**1 388**
Acquired through business combination	125	1 212
Increase in loss allowance recognised in profit or loss during the year	**379**	**333**
Receivables written off during the year as uncollectible	(91)	(356)
FX adjustment	140	(75)
Unused amounts reversed	(241)	(272)
At 31 December	2 542	2 230
Unused amounts reversed	(272)	(429)
At 31 December	**2 230**	**1 058**

17.6 Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by maintaining adequate cash reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Group's undiscounted financial liabilities as at 31 December 2019.

Year ended 31 December 2019

Financial liabilities	Less than 1 year EUR 000	Between 2 and 5 years EUR 000	More than 5 years EUR 000	Total contractual cash flows EUR 000	Carrying amount EUR 000
Interest bearing loans and borrowings	18 477	56 123	31	74 631	66 852
Leases	3 043	6 080	–	9 123	8 238
Derivatives	–	192	–	192	192
Trade and other payables	90 604	93	–	90 697	90 697
Total:	**112 124**	**62 488**	**31**	**174 643**	**165 979**

Period ended 31 December 2018

Financial liabilities	Less than 1 year EUR 000	Between 2 and 5 years EUR 000	More than 5 years EUR 000	Total contractual cash flows EUR 000	Carrying amount EUR 000
Interest bearing loans and borrowings	37 066	27 134	30	64 230	60 661
Leases	881	2 099	–	2 980	2 863
Derivatives	–	175	–	175	175
Trade and other payables	84 690	–	–	84 690	84 690
Total:	**122 637**	**29 408**	**30**	**152 076**	**148 389**

Period ended 31 December 2017

Financial liabilities	Less than 1 year EUR 000	Between 2 and 5 years EUR 000	More than 5 years EUR 000	Total contractual cash flows EUR 000	Carrying amount EUR 000
Interest bearing loans and borrowings	30 809	21 120	5 035	56 964	52 978
Leases	579	936	–	1 515	1 470
Derivatives	–	49	–	49	49
Trade and other payables	39 892	–	–	39 892	39 892
Total:	**71 280**	**22 105**	**5 035**	**98 420**	**94 389**

As at 31 December 2019, the Group has further EUR 21 855 thousand (31.12.2018: EUR 13 340 thousand) of undrawn facilities available under the terms of credit line agreements with financial institutions.

17.7. Fair Value Measurement

Management assessed that fair value of cash and cash equivalents, trade receivables, loans issued, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. For non-current financial assets and liabilities, the fair values are also not significantly different to their carrying amounts. The fair values were estimated based on cash flows discounted using the current lending rate. They were classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

All Group's financial assets and financial liabilities can be classified in Level 3 of fair value hierarchy. Except for cash, which can be classified in Level 2. The fair value of financial assets and financial liabilities approximates to their book value.

17.8. Financial Assets and Financial Liabilities

	31/12/2019 EUR 000	31/12/2018 EUR 000	31/12/2017 EUR 000
Financial assets			
Financial assets at amortised cost			
Loans to related parties	24 987	24 485	27 781
Non-current financial investments	2 730	2 632	2 553
Trade and other receivables	113 776	103 631	80 610
Other assets	3 711	3 798	2 575
Other receivables	3 700	3 549	213
Cash and cash equivalents	8 142	4 048	4 166
Total	**157 046**	**142 143**	**117 898**
Financial liabilities			
Liabilities at amortised cost			
Loans from credit institutions	55 558	55 139	35 891
Derivative financial instruments	192	175	49
Loans from related parties	11 293	5 521	17 087
Lease liabilities	8 238	2 863	1 469
Trade and other payables	96 865	93 494	84 365
Other liabilities	6 193	5 359	2 612
Total	**178 339**	**162 551**	**141 473**

18. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in statement of comprehensive income over the period of the borrowings using the effective interest method.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the costs of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Current interest-bearing loans and borrowings	Interest rate %	Maturity	31/12/2019 EUR 000	31/12/2018 EUR 000	31/12/2017 EUR 000
Bank overdrafts - Luminor	EONIA + 2.5%	30/06/2020	3 578	21 921	11 192
Bank overdrafts - Swedbank[1]	3M EURIBOR + 2%	31/12/2019	–	2 518	1 889
Bank overdrafts - Sberbank	MosPrime 3M+1.11%	24/12/2020	916	641	–
Bank overdrafts - OTP bank	MosPrime 1M+0.7%	23/08/2020	2 859	2 509	–
Bank overdrafts - VTB bank	MosPrime 1M+1.85%	16/04/2020	429	–	–
Bank overdrafts - Scotpac[1]	1m BBSY + 4%	14/05/2020	–	4 090	–
Bank overdrafts - Royal Bank of Scotland[1]	3%	14/10/2019	–	2 734	–
EUR 7.9m bank loan - Swedbank (Latvijas balzams)[1]	3M EURIBOR + 2.2%	31/05/2021	–	1 392	4 808
EUR 8.9m bank loan - Luminor (Latvijas balzams)	1M EURIBOR + 2.65%	31/12/2023	269	–	1 795
EUR 5m bank loan - Luminor (Amber Distribution Latvia)	1M EURIBOR +2.50%	30/06/2019	–	–	1 017
EUR 0.6m bank loan - Luminor (Amber Distribution Latvia)	3M EURIBOR + 2.50%	28/02/2021	–	–	85
EUR 1m bank loan - Luminor (Amber Distribution Latvia)	3M EURIBOR + 2.50%	28/02/2021	–	–	143
EUR 12m bank loan - Luminor (Amber Beverage Group)	3M EURIBOR + 2.3%	30/09/2021	–	–	2 363
EUR 4,9m bank loan - Swedbank AB (Bennet Distributors)	3M EURIBOR + 2.2%	08/05/2018	–	–	3 081
EUR 2,9m bank loan - Swedbank AS (Bennet Distributors)[1]	3M EURIBOR + 2.2%	31/05/2021	–	980	–
EUR 7m bank loan - Luminor (Amber Beverage Group Holding)	3M EURIBOR + 2.75%	31/12/2023	1 418	–	–
EUR 1m bank loan - Luminor (Amber Beverage Group)	3M EURIBOR + 2.3%	31/03/2022	–	–	205
EUR 13m bank loan - BlueOrange Bank AS (Bennet Distributors)	4.5%	02/01/2020	5 858	–	–
EUR 3.6m bank loan - Luminor (Amber Beverage Group Holding)	3M EURIBOR + 2.75%	31/12/2023	720	–	–
Accrued interest on bank loans			72	12	9
Loans from related parties (EUR)	3%	31/12/2020	–	1 023	6
Loans from related parties (MXN)	15%	31/12/2019	–	–	676
Loans from related parties (AUD)	10%	01/12/2024	63	–	–
Total current interest-bearing loans and borrowings			**16 182**	**37 820**	**27 269**

1) In December 2019 as part of refinancing of the Group's financial activities, the liabilities against Swedbank AS, Scotpac and Royal Bank of Scotland were fully settled.

Non-current interest-bearing loans and borrowings	Interest rate %	Maturity	31/12/2019 EUR 000	31/12/2018 EUR 000	31/12/2017 EUR 000
EUR 12m bank loan - Luminor (Amber Beverage Group)	3M EURIBOR + 2.3%	30/09/2021	–	–	6 499
EUR 1m bank loan - Luminor (Amber Beverage Group)	3M EURIBOR + 2.3%	31/03/2022	–	–	665
EUR 8.9m bank loan - Luminor (Latvijas balzams)	1M EURIBOR + 2.65%	31/12/2023	1 077	1 347	898
EUR 7.9m bank loan - Swedbank (Latvijas balzams)[1]	3M EURIBOR + 2.2%	31/05/2021	–	2 089	–
EUR 1m bank loan - Luminor (Amber Distribution Latvia)	3M EURIBOR + 2.5%	31/12/2023	500	500	464
EUR 0.6m bank loan - Luminor (Amber Distribution Latvia)	3M EURIBOR + 2.5%	31/12/2023	292	292	270
EUR 5m bank loan - Luminor (Amber Distribution Latvia)	1M EURIBOR +2.5%	31/12/2023	763	763	508
EUR 27m bank loan - Credit Suisse (Amber Beverage Group Holding)	3M EURIBOR + 2.4%	03/12/2021	27 000	–	–
EUR 2,9m bank loan - Swedbank AS (Bennet Distributors)[1]	3M EURIBOR + 2.2%	31/05/2021	–	1 434	–
EUR 7m bank loan - Luminor (Amber Beverage Group Holding)	3M EURIBOR + 2.75%	31/12/2023	5 671	7 089	–
EUR 1.5m bank loan - Luminor (Amber Beverage Group Holding)	3M EURIBOR + 2.75%	31/12/2023	1 556	1 556	–
EUR 3.6m bank loan - Luminor (Amber Beverage Group Holding)	3M EURIBOR + 2.75%	31/12/2023	2 580	3 286	–
Loans from related parties (EUR)	3%	31/12/2020	–	–	5 428
Loans from related parties (AUD)	10%	01/12/2024	6 252	–	–
Loans from related parties (RUB)	6–11%	31/12/2023	4 948	4 273	6 388
Loans from related parties (USD)	1.575%	22/12/2025	31	28	–
Loans from related parties (GBP)	7.25%	29/12/2022	–	184	4 589
Total non-current interest-bearing loans and borrowings			**50 670**	**22 841**	**25 709**
Total interest-bearing loans and borrowings			**66 852**	**60 661**	**52 978**

1) In December 2019 as part of refinancing of the Group's financial activities, the liabilities against Swedbank AS, Scotpac and Royal Bank of Scotland were fully settled.

Fulfilment of the Group's liabilities is secured and enforced by:

(i) The mortgage of largest part of real estate owned by the Group;
(ii) Commercial pledge of all Group's movable property owned by the Parent Company, Amber Beverage Group SIA, Amber Distribution Latvia SIA, Bravo SIA, Fabrica de Tequilas Finos S.A. de C.V., Interbaltija AG AS, and Bennet Distributors UAB as aggregation of property on the date of pledging as well as future aggregation of property;
(iii) The pledge of all shares of subsidiaries owned by the Parent Company, and any other shares that may be acquired in the future.

The Group is subject to certain covenants related primary to its borrowings from Luminor Bank AS Latvian branch, BlueOrange Bank AS, Credit Suisse AG and banks in Russia. The Group is constantly monitoring the compliance with financial covenants as agreed with the respective lenders and is communicating on their fulfilment.

19. Leases

The accounting policy applied from 1 January 2019

At the commencement date of the lease, the Group recognises lease liabilities relating to real estate and production equipment measured at the present value of lease payments. Lease liabilities represent fixed lease payments. In calculating the liabilities, the Group uses its incremental borrowing rate at the lease commencement date, except where the borrowing rate is readily determined. The Group has applied the discount rate of 2.75% for the calculation of lease liabilities upon initial recognition and their subsequent re-calculation at the year end. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset at the end of the period. Every lease payment is apportioned between lease liabilities and interest expenses thereon. Interest paid on lease liabilities is recognised in the income statement over the lease term.

Accounting policy applied until 31 December 2018

Leases are classified as finance leases whenever the terms of the lease substantially transfer all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in the statement of comprehensive income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

	EUR 000
As at 1 January 2019	9 115
Additions	120
Acquired through business combination	961
Impact on changes in assumptions	807
Interest	101
Payments	(2 866)
As at 31 December 2019	**8 238**
Accounted as:	
Non-current liabilities	5 416
Current liabilities	2 822
Total	**8 238**

	Minimum lease payments 31/12/2018 EUR 000	Present value of minimum lease payments 31/12/2018 EUR 000	Minimum lease payments 31/12/2017 EUR 000	Present value of minimum lease payments 31/12/2017 EUR 000
Amounts payable under finance leases:				
Within one year	881	831	579	557
In the second to fifth year inclusive	2 099	2 032	936	913
Over five years	–	–	–	–
	2 980	**2 863**	**1 515**	**1 470**
less future finance charges	(117)	–	(45)	–
Present value of minimum lease payments	**2 863**	**2 863**	**1 470**	**1 470**
Less amounts included in current liabilities		(831)		(557)
Amounts included in non-current liabilities		**2 032**		**913**

20. Capital Management

The capital structure is managed at the Group level on a ongoing basis. During the reporting period, there were no changes in capital management objectives, policies or processes to ensure capital sufficiency, the management of the Group proposes to leave the profit of reporting period not distributed.

The Group's management controls the gearing ratio, calculated as net debt (interest bearing loans and borrowings, leases net of cash and cash equivalents) to equity. During the reporting period the gearing ratio is 41% (31.12.2018: 37%) and ratio equity to total assets is 48% (31.12.2018: 49%).

Net debt calculation is presented as follows:

	31/12/2019 EUR 000	31/12/2018 EUR 000	31/12/2017 EUR 000
Cash and cash equivalents **(Note 26)**	8 142	4 048	4 166
Interest bearing loans and borrowings **(Note 18)**	(66 852)	(60 661)	(52 978)
Leases **(Note 19)**	(8 238)	(2 863)	(1 470)
Total net debt	**(66 948)**	**(59 476)**	**(50 282)**

	Cash and cash equivalents EUR 000	Leases due after 1 year EUR 000	Leases due within 1 year EUR 000	Borrowings due after 1 year EUR 000	Borrowings due within 1 year EUR 000	Total EUR 000
Net debt as at 31 December 2017	**4 166**	**(913)**	**(557)**	**(25 709)**	**(27 269)**	**(50 282)**
Cash flows	(1 567)	–	(945)	(10 000)	(19 299)	(31 811)
New leases and borrowings	–	(2 369)	–	(4 560)	(7 903)	(14 832)
Other non-cash movement	1 449	1 250	671	17 428	16 651	37 449
Net debt as at 31 December 2018	**4 048**	**(2 032)**	**(831)**	**(22 841)**	**(37 820)**	**(59 476)**
Change in accounting policies (IFRS 16)	–	(1 961)	(4 291)	–	–	(6 252)
Net debt as at 1 January 2019	**4 048**	**(3 993)**	**(5 122)**	**(22 841)**	**(37 820)**	**(65 728)**
Cash flows	3 800	–	1 121	3 585	42 254	50 760
New leases and borrowings	–	(120)	–	(33 153)	(17 614)	(50 887)
Other non-cash movement	294	(1 303)	1 179	1 739	(3 002)	(1 093)
Net debt as at 31 December 2019	**8 142**	**(5 416)**	**(2 822)**	**(50 670)**	**(16 182)**	**(66 948)**

21. Share Capital and Share Premium

The Parent Company Amber Beverage Group Holding S.à r.l. was established on 26 September 2017. The share capital of the Parent Company as at 31 December 2019 is EUR 12 500 (31.12.2018: EUR 12 500) and consists of 12 500 shares with par value of EUR 1 each. Share capital has been fully paid.

As the result of Group reorganization started in 2017 and finalized in 2018, the shareholders of the Parent Company have contributed the share premium in amount of EUR 132 million.

22. Pooling Reserve

In 2017, the Group acquired majority shareholding in Tambovskoye spirtovoye predpriyatye "Talvis" AO from the related party S.P.I. Production B.V. (70.95%) and minority shareholder (1.91%). As the transaction was treated as part of SPI Group reorganisation, the assets and liabilities were accounted at their book values on the date of acquisition.

In 2018, the Group acquired majority shareholding in Permalko AO from the related party S.P.I. Production B.V. (92.6%). As the transaction was treated as part of SPI Group reorganisation, the assets and liabilities were accounted at their book values on the date of transaction.

In 2019, the Group acquired 100% shareholding in Amberbev International Ltd (until 8 October 2019 – DDE Holding Ltd) from the related party S.P.I. Spirits (Cyprus) Ltd. As the transaction was treated as part of SPI Group reorganisation, the assets and liabilities were accounted at their book values on the date of transaction.

See details of pooling reserve calculation in **Note 11.2.**

23. Non-Controlling Interest

	2019 EUR 000	2018 EUR 000
Opening balance	6 295	4 575
Acquired through reorganisation of the Group **(Note 11.2)**	–	663
Current period charge to statement of comprehensive income	3 086	1 150
Settlement against dividends	(74)	(93)
Closing balance	**9 307**	**6 295**

Other Financial Information

This section includes additional financial information that are either required by the relevant accounting standards or management considers these to be material information for shareholders.

24. Commitments and Contingencies

24.1. Guarantees Issued

The Group entity - Latvijas balzams AS - has issued a guarantee to Luminor Bank AS Latvian branch for the related company S.P.I. Spirits (Cyprus) Ltd. of EUR 13.2 million, resulting from Overdraft agreement signed in July 2007. The guarantee is valid until the fulfilment of all overdraft contract obligations and the deadline is defined as 31 December 2020. SPI Spirits (Cyprus) Limited pays a guarantee fee to the guarantor in amount equal to the annual interest rate of 6.3% of the used overdraft amount.

Taking into account the financial position of the SPI Group it is not expected that the Group shall fulfil the warranty or guarantee obligation, as a result no provisions have been recognised in the financial statements.

24.2. Guarantees Received

In 2015, Luminor Bank AS Latvian Branch has issued two guaranties to the Group entities Latvijas balzams AS and Amber Distribution Latvia SIA for total maximal amount of EUR 783 thousand. The applied interest rate is EURIBOR + 2.5%, maturity date – 31.12.2020 and 28.02.2021.

24.3. Trademark Related

Moskovskaya® case

SPI Group is the owner of a number of world-famous vodka trademarks (sometimes also referred to as "Soviet vodka brands") in most countries of the world. One of the key "Soviet brands" in the trademark portfolio of the Group is Moskovskaya®. The history of Moskovskaya® trademark goes back to the Soviet times, namely, to the 1960s-70s, when the Soviet State Enterprise SOJUZPLODOIMPORT, under instructions of the USSR Ministry of Foreign Trade, started to commercialize Russian vodka around the world, mainly STOLICHNAYA and MOSKOVSKAYA®.

In order to facilitate and protect such business, the trademark Moskovskaya® was registered in a number of countries in the world (including in the USSR) in the name of aforementioned Soviet State Enterprise SOJUZPLODOIMPORT.

Due to the liberalization of the Soviet economy, which was the result of the famous "PERESTROYKA", the management of SOJUZPLODOIMPORT was instructed by the competent USSR authority to convert the State Enterprise into a private entity. Such transformation started in September 1990 and ended in January 1992. The transformation procedure was initiated with the mutual consent of the competent USSR authority and the employees of SOJUZPLODOIMPORT and was conducted in accordance with applicable law.

As a result of the transformation initiated in September 1990, the Soviet State Enterprise SOJUZPLODOIMPORT was converted into the private entity (joint stock company) with the same name, and in January 1992 the Joint Stock Company SOJUZPLODOIMPORT was duly registered as the legal successor of Soviet State Enterprise SOJUZPLODOIMPORT.

As the legal successor of Soviet State Enterprise SOJUZPLODOIMPORT, the Joint Stock Company SOJUZPLODOIMPORT inherited all assets of the former, including the worldwide trademark portfolio which included MOSKOVSKAYA® trademark registrations.

It should be noted that both the USSR and the Russian Federation state authorities were well aware of SOJUZPLODOIMPORT's transformation into the private entity and not only consented, but also actively assisted in the worldwide promotion of Soviet vodka brands by the joint stock company SOJUZPLODOIMPORT. None of those authorities ever questioned validity of the transformation of the state enterprise, as well as its successor's title to the trademarks worldwide. Moreover, on a number occasions Russian State authorities directly and indirectly confirmed validity of title of Joint Stock Company SOJUZPLODOIMPORT to the trademarks. This was the case until 2000.

In 1997 a group of investors acquired the controlling shareholding in the Joint Stock Company SOJUZPLODOIMPORT. Later, SPI Group was created and SOJUZPLODOIMPORT became a part of this group.

The new shareholders invested considerable resources into the company and conducted its restructuring. The IP portfolio was also restructured and divided between the Russian and the Dutch companies of SPI Group.

In 2000, a campaign was initiated at the top level of the Russian government for the re-nationalization of the Soviet vodka brands lawfully owned by SPI Group. As part of this campaign the Russian national registrations of the Soviet brands were seized for the benefit of the Russian Federation and (after more than eight years of acquiescence and recognition of its validity by the Russian authorities) the transformation of the State enterprise SOJUZPLODOIMPORT into the private company was declared void in Russia.

It should be noted than neither SPI Group, nor its shareholders participated in the allegedly invalid transformation of the State enterprise SOJUZPLODOIMPORT into the private company. Private company SOJUZPLODOIMPORT was acquired in 1997, more than 5 years after the allegedly void transformation of the State enterprise SOJUZPLODOIMPORT into the private entity was concluded.

Since 2003, a state enterprise of the Russian Federation named FKP (Federal Treasury Enterprise) SOJUZPLODOIMPORT has claimed recognition of its ownership of Soviet vodka brands owned by SPI Group in a number of jurisdictions. SPI is actively defending those lawsuits.

Amber Beverage Group, through its subsidiary, holds the title for MOSKOVSKAYA® trademark registrations in various jurisdictions, a number of which are subject to ongoing disputes.

Austria: In August 2014 the Regional Court of Linz, Austria, rendered a decision in a case filed by FKP in 2005 by which the court ordered the trademarks in Austria to be transferred to FKP. This decision was reversed by the appeals court in December 2014 and FKP appealed to the Cassation Court of Austria which ordered the appeals court to consider the possible binding effect of the Dutch decisions. On 5 February 2018, the appeals court ruled in favor of SPI. The appeals court held that the Dutch decisions had no binding effect in Austria and went on to criticize the Dutch courts' approach, finding that the Dutch courts: a) wrongly found that an invalidity of the Russian privatization would not be subject to any limitation period, b) ignored the fact that the privatization had been accepted by all parties for years until political power in Russia changed in 1999/2000, and c) ignored considerations on the merits of Russian limitation law. FKP appealed to the Austrian Supreme Court, which decided in June 2018 to return the case to the appeals court for further consideration. On 5 September 2018, the Appeals Court issued a decision negative to SPI. SPI filed an extraordinary appeal on 8 October 2018. On 20 December 2018, the Austrian Supreme Court decided to stay the proceedings until there is a final judgment in the Dutch proceedings.

Lebanon: In 2011, SPI was successful in defending its trademark in Lebanon, both in the first instance and on appeal. FKP's appeal to the cassation court remains pending.

Australia: In Australia, a motion to stay the proceedings was filed by SPI as a result of the Russian Federation's failure to provide discovery. On 20 November 2017 the Federal Court of Australia ordered that the case be stayed until further notice. The Court confirmed that the Russian Federation was the "real plaintiff" in the proceeding, and suspended the case unless the Russian Federation produces documents that it has been withholding for years. The Russian Federation did not produce the relevant documents by the deadline of 30 November 2018, and SPI filed a motion to dismiss FKP's claims. On 30 May 2019, the Court found that the Russian Federation's failure to provide discovery amounted to an abuse of process and ordered a permanent stay relating to all parts of the proceedings which relate to topics in respect of which the Russian Federation has failed to provide discovery. On 31 October 2019, the Court ordered any further proceedings on FKP's asserted claims permanently stayed. FKP has appealed this decision.

Armenia: In July 2014, FKP filed a claim against the trademark registrar in Armenia seeking cancellation of the Stolichnaya trademarks there. In February 2019, the Administrative Court fully rejected FKP's claims and found that FKP does not have legal standing to present a claim against SPI. FKP may appeal this decision.

Greece: In July 2014, SPI received a decision in its favour in the Athens Court of First Instance in respect of a claim filed by FKP to terminate SPI's rights to the Stolichnaya and Moskovskaya trademarks. In the meantime, FKP filed a new lawsuit in Greece in December 2015 seeking acknowledgment of the res judicata of the judgments of the Russian court and The Hague Court of Appeals and seeking declaration of ownership of the dispute trademarks. In September 2019 the court dismissed FKP's lawsuit on the grounds of lack of jurisdiction and lack of legal interest in the proceedings. FKP may appeal this decision.

Vietnam: In April 2014, SPI was informed that certain international registrations in Vietnam had been transferred to FKP. As a result, the SPI cannot currently sell its products in that market. SPI believes such a transfer was illegal and is challenging the action and sales in Vietnam have stopped pending resolution.

Israel: In July 2018, FKP filed a complaint against Spirits and ZHS IP Worldwide but was not able to complete valid service. Service was confirmed in May 2019 and the case is proceeding.

The Netherlands: In March 2015, the court rendered a decision, the result of which was the cancellation of the contested Benelux trademarks and/or their transfer to FKP. The court also ordered SPI to cease the use of the trademark STOLI in Benelux. SPI filed an appeal and FKP filed a cross-appeal. In January 2018 the appellate court ordered SPI to provide a report regarding the Benelux profits of Stolichnaya and Moskovskaya in order to determine the amount of damages that will have to be paid by Spirits International B.V. In July 2018 FKP initiated preliminary relief proceedings. The preliminary relief judge ordered Spirits to provide a bank guarantee in the amount of EUR 6 million (which Spirits was unable to procure), subject to a proceeding on the merits to analyze the report on Benelux profits. SPI appealed the January 2018 judgment to the Dutch Supreme Court and in January 2020 the appeal was rejected. However, the report that Spirits had previously provided as required by the Court of Appeal showed no profit for the relevant period. This report will be analyzed on the merits in future proceedings.

24.4 Lawsuit Related

Ierosme case

In 2015 the Latvijas balzams AS carried out a reorganization by way of merger with Daugavgrivas 7 SIA. Daugavgrivas 7 SIA was a defendant in the lawsuit against Interjeru iekārtošanas un restaurācijas firma "Ierosme" SIA. The claim relates to construction work done for a total amount of EUR 248 thousand, including fines and interest. Daugavgrivas 7 SIA has filed the counter claim for the compensation of losses for the total amount of EUR 882 thousand. LB joined as a defendant in the lawsuit against Interjeru iekārtošanas un restaurācijas firma "Ierosme" SIA as a limited liability company Daugavgrivas 7 legal successor.

On 14 October 2016 the Latvian Supreme Court ruled Interjeru iekārtošanas un restaurācijas firma "Ierosme" SIA claim against LB for debt of EUR 111 thousand and the amount of penalty of EUR 75 thousand of the recovery, and LB counterclaim against Interjeru iekārtošanas un restaurācijas firma "Ierosme" SIA for damages of EUR 882 thousand and offsetting and judged to dismiss both claims.

On 19 January 2017, Interjeru iekārtošanas un restaurācijas firma "Ierosme" SIA has appealed a cassation with request to set aside the judgment in relation to rejection of LB debt and penalty recovery and refer the case for retrial. By the judgment of the Senate of the Republic of Latvia of 12 September 2019, the judgment of the Chamber of Civil Cases of the Supreme Court of 14 October 2016 has been annulled and the case has been remanded to the Riga Regional Court. On 6 February 2020, the Riga Regional Court adjourned the hearing of the case, emphasising to the parties that the case would be heard within the framework of the Senate judgment and that the parties should try to settle.

Slovenian tax case

In 2017 LB received a decision from Slovenian tax authorities, dated 1 June 2017 whereby LB was imposed to pay EUR 366 thousand of excise duty. The tax authorities claimed that LB is obliged to cover excise duties for the goods produced at LB and sold to company called SLCC Holding d.o.o., which failed to be delivered by a third-party carrier.

On 3 July 2017 an appeal of the decision of tax authorities was filed, together with request to postpone the extraction of the alleged tax debt until final resolution. Request to postpone payments was granted shortly after respective request. In the appeal it has been argued that tax authorities have made several procedural mistakes as well as have applied law retrospectively. LB argued that should not be liable for the tax debt as was acting in accordance with applicable legislation.

On 5 March 5 2019, the appellate body dismissed the LB's appeal as unfounded. As no ordinary remedy was available against the decision of the appellate body, an administrative case was brought against the decision at first instance. The case was filed with the Administrative Court of the Republic of Slovenia on 10 April 2019. The proceeding is still ongoing, and the court has not yet set a date for the hearing.

Proceedings with LKW WALTER Internationale Transportorganisation AG (Austria)

Considering that the aforementioned services were performed by LKW WALTER Internationale Transportorganisation AG (Austria), hereinafter - LKW, sub-carriers, on 4 October 4 2018 LB filed an application for recovery from LKW with the Riga City Latgale District Court. In its application, LB requests the recovery of EUR 334 thousand from LKW, which was calculated by the Tax Administration of the Republic of Slovenia as unpaid excise duty and imposed on LB by decision of 3 March 2017. The said tax surcharge was applied due to the fact that LKW, when providing transportation services (delivery of excise goods produced by LB to the warehouse of the buyer of the Goods in Slovenia), invited sub-carriers who (according to the decision of the tax administration of the Republic of Slovenia) did not import the Goods into the intended Product unloading warehouse in Slovenia, thus the tax administration of the Republic of Slovenia concluded that the Product was released for free circulation and subject to excise duty. On 4 April 2019 LB has paid the entire mentioned amount, including excise tax EUR 334 thousand and interest EUR 31 thousand and has filed and maintains a claim in the Latvian court, requesting recovery from LKW WALTER expenditure in the amount of EUR 366 thousand. On 11 November 2019, the Riga City Latgale Suburb Court has made a judgment in a Civil Case, by which it has rejected the claim of LB. On 6 December 2019 LB has filed an appeal against this judgment. The case is still ongoing.

Environment pollution case

On 18 October 2018, a planned inspection of the Vilnius Region Environmental Protection Department of the Ministry of Environment of the Republic of Lithuania (hereinafter - Vilnius RAAD) was performed and Bennet Distributors UAB was informed that by the decision of RAAD dated 18 December 2017 and 22 February 2018, the approvals issued by the Packaging Managers on the arrangement of metal and PET packaging in 2013-2015 tax periods were revoked. Therefore, on 18 December 2018, by the decision of the Vilnius RAAD Bennet Distributors UAB was obliged to pay a fee of EUR 267 thousand for environmental pollution for packaging waste. Bennet Distributors UAB has filed a plaint to the Vilnius Regional Administrative Court seeking the annulment of the unlawfully adopted act. The case is currently on hold.

Liepaja fire case

Amber Distribution Latvia SIA is a distributor of Red Bull products in the territory of Latvia. As distributor ADL has carried out marketing activities including, inter alia, placing of POS materials (including refrigerators) owned and supplied by Red Bull GmbH in "Maxima" stores, owned by Maxima Latvija SIA retail chain. One of the refrigerators was placed in Maxima retail store located at "XL sala" shopping centre 62 Klaipedas street, Liepaja, Latvia.

On late 21 August 2016 fire incident took place in that retail store, resulting in damages done by fire, smoke and soot to Maxima and several other retail stores located at "XL sala" shopping Centre. Maxima`s insurer, Compensa has started a legal action against ADL in Daugavpils court, claiming amount of EUR 918 thousand (insurance indemnity paid to Maxima Latvija SIA) in this case. Claim is based on experts conclusions and opinion regarding cause of fire. According to said conclusions, most probable place of origin of fire was on the place where Red Bull refrigerator was placed, and most probable cause of fire was damage in electrical installation.

ADL does not see strong evidences that fire started particularly in Red Bull refrigerator or any other reasons why ADL could be held responsible for the fire. Therefore, ADL does not recognise Compensa claim in full and finds it groundless. The case has not yet been examined at first instance.

25. Related Party Transactions

The parties are considered related when one party has a possibility to control the other one or has significant influence over the other party in making financial and operating decisions. Related parties of the Parent Company are subsidiaries, associates and shareholders who could control or who have significant influence over the Parent Company in accepting operating business decisions, key management personnel of the Parent Company including members of Supervisory Board and close family members of any above-mentioned persons, as well as entities over which those persons have a control or significant influence.

Balances and transactions between the Parent Company and its subsidiaries, which are related to the Parent Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties (related through the S.P.I. Group S.à.r.l.) are disclosed below.

The main shareholder of the Group, which owns 94% of shares of the Parent Company is S.P.I. Group S.à.r.l. which is incorporated in Luxembourg and its majority shareholder is Mr. Yuri Shefler.

25.1. Trading Transactions

	Amounts owed by related parties			Amounts owed to related parties		
	31/12/2019 EUR	**31/12/2018 EUR**	**31/12/2017 EUR**	**31/12/2019 EUR**	**31/12/2018 EUR**	**31/12/2017 EUR**
Parent Company	719	493	–	635	33	–
Other related parties	20 108	24 078	20 155	3 044	2 971	3 368
Total controlled by the Ultimate controlling party	**20 827**	**24 571**	**20 155**	**3 679**	**3 004**	**3 368**

	Sale of services and goods		Purchase of services and goods	
	2019 EUR 000	**2018 EUR 000**	**2019 EUR 000**	**2018 EUR 000**
Parent Company	21	44	–	2
Other related parties	49 146	48 194	8 143	5 512
Total controlled by the Ultimate controlling party	**49 167**	**48 238**	**8 143**	**5 514**

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2018: nil; 2017: nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

25.2. Loans From and To Related Parties

	31/12/2019 EUR 000	31/12/2018 EUR 000	31/12/2017 EUR 000
Loans to related parties			
Issued by Parent Company			
Non-current portion	23 329	23 329	27 385
Current portion	1 506	806	–
Total:	**24 835**	**24 135**	**27 385**
Issued by other companies			
Non-current portion	152	129	343
Current portion	–	221	53
Total:	**152**	**350**	**396**
Total loans to reated parties	**24 987**	**24 485**	**27 781**
Loans from related parties			
Received by Parent Company			
Non-current portion	6 252	184	9 990
Current portion	63	–	1
Total:	**6 315**	**184**	**9 991**
Received by other companies			
Non-current portion	4 979	4 301	6 415
Current portion	–	1 035	681
Total:	**4 979**	**5 336**	**7 096**
Total loans to reated parties	**11 294**	**5 520**	**17 087**

Loans to and from related parties have been issued to and received from related parties within SPI Group. The non-current loans issued to related parties are not secured and are maturing in 2022-2025. The Group has applied fixed interest rate of 3-7% (2018: 3-7%) for the long-term loans issued determined based on Transfer Pricing study. Current portion of loans to related parties mainly consists of accrued interest on long term loans.

The long-term loans from related parties term is maturing in 2022-2025, with fixed interest rate of 3-11%.

25.3. Compensation to the key management personnel

	2019 EUR 000	2018 EUR 000
Short-term employee benefits	2 488	1 897
Social security costs	677	523
Total	**3 165**	**2 420**

The key management represents the statutory representatives, including proxies and members of Supervisory Board of the Group.

26. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

	31/12/2019 EUR 000	31/12/2018 EUR 000	31/12/2017 EUR 000
Cash at bank	7 923	3 780	3 728
Petty cash	3	2	1
Cash in shops	137	111	168
Cash in transit	79	155	269
Total	**8 142**	**4 048**	**4 166**

Cash at bank includes restricted cash in amount of EUR 231 thousand (31/12/2018: nil), which has been placed as security deposit for guarantees towards lending institutions and tax authorities.Cash at banks are held with credit institutions with stable credit ratings.

27. Group Information

Name	Principal activities	Country of in-corporation/ operations	% Equity interest 31/12/2019	% Equity interest 31/12/2018
Latvijas balzams AS	Production of alcoholic beverages	Latvia	89.99%	89.99%
Amber Distribution Latvia SIA	Distribution	Latvia	100%	100%
Amber Distribution Estonia OU	Distribution	Estonia	100%	100%
Bennet Distributors UAB	Distribution	Lithuania	100%	100%
Bravo SIA [1]	Retail sales	Latvia	100%	100%
Amber IP Brands S.à r.l.	IP management	Switzerland	100%	100%
Amberbev International Ltd [2]	Distribution	Cyprus	100%	–
Fabrica de Tequilas Finos, S.A. De C.V.	Production of alcoholic beverages	Mexico	100%	100%
Interbaltija AG AS	Distribution	Latvia	100%	100%
Interbaltija Arka SIA [3]	Retail sales	Latvia	100%	–
Amber Beverage Group SIA	Management services	Latvia	100%	100%
Amber Beverage Group UK Limited	Holding activities	the UK	100%	100%
Cellar Trends Holding Limited [4]	Holding activities	the UK	100%	70%
Cellar Trends Limited [5]	Distribution	the UK	100%	70%
Tambovskoye spirtovoye predpiyatyie Talvis AO	Rectification of ethyl alcohol	Russia	72.87%	72.87%
Remedia AS	Production of alcohol beverages	Estonia	100%	100%
Think Spirits Pty Ltd	Distribution	Australia	90%	90%
Permalko AO	Production of alcoholic beverages	Russia	92.6%	92.6%
Mountain Spirits Österreich GmbH [6]	Distribution	Austria	90%	–
Barexpress Getränke GmbH [6]	Distribution	Austria	90%	–
Mountain Spirits Deutschland GmbH [7]	Distribution	Germany	90%	–
Skoniu Krastas UAB [8]	Dormant	Lithuania	100%	–

1 Subsequently to the year end the reorganisation process of merging Bravo SIA into Amber Distribution Latvia SIA was finalized.

2 The control over international distribution company Amberbev International Ltd. (until 8 October 2019 – DDE Holding Ltd) was acquired by Amber IP Brands Sarl through reorganisation of the Group on 14 February 2019 and is treated as business combination under common control in these consolidated financial statements.

3 On 28 August 2019 the Parent company acquired 100% of share capital of Interbaltija Arka SIA- a retailer of premium wines operating three retail shops in Riga, Latvia. Subsequently to the year end the reorganisation process of merging Interbaltija Arka SIA into Interbaltija AG AS was executed.

4 In 2019 the acquisition process of Cellar Trends Holding Limited was finished by acquiring the remaining 30% of capital shares.

5 Cellar Trends Limited is 100% owned by Cellar Trends Holding Limited.

6 On 9 December 2019 the Parent company started acquisition process of Austrian distributors of alcoholic beverages Mountain Spirits Österreich GmbH and Barexpress Getränke GmbH. Subsequently to the year end the merger of Mountain Spirits Österreich GmbH and Barexpress Getränke GmbH was executed.

7 Subsidiary of Mountain Spirits Deutschland GmbH was acquired along the acquisition of Mountain Spirits Österreich GmbH on 9 December 2019.

8 On 1 August 2019 the Parent company incorporated a new subsidiary Skoniu Krastas UAB based in Lithuania.

28. Other Accounting Policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

Revenue from contracts with customers

The Group is in the business of production and distribution of alcoholic beverages. Revenue from contracts with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods before transferring them to the customer.

Sale of finished goods

Revenue from sale of finished goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the finished goods. The normal credit term is 30 to 90 days upon delivery.

In determining the transaction price for the sale of finished goods, the Group considers the effects of variable consideration.

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of finished goods provide customers with volume rebates and rights to return that gives rise to variable consideration.

• *Volume rebates*

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume. The selected method best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration and recognises reduction of revenues.

• *Rights of return*

Certain contracts in specific jurisdictions provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(ii) Contract assets - Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Revenue from providing of services

Revenue from providing of services (mainly logistic services) is recognised in the accounting period in which the services are rendered in the amount to which the Group has a right to invoice. Customers are invoiced on monthly basis and consideration is payable when invoiced.

Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Group does not adjust any of the transaction prices for the time value of money.

Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable.

Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see **Note 17.5** for further details.

Offsetting

Financial assets and liabilities are offset , and the net amount presented in the consolidated statement of financial position only when there is a legal right to do so and there is an intention to make net settlements or to sell the asset and settle liability simultaneously.

Financial liabilities

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in statement of comprehensive income over the period of the borrowings using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Derivative financial instruments

Derivatives are initially recognised at fair value as at the date when the contract is concluded. Derivatives are subsequently measured at fair value. The method of recognizing the resulting gain and loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates derivatives as hedges of an interest rate changes of its borrowings (cash flow hedge).

The effective portion of changes in the fair value of derivatives that are designated and qualify for cash flow hedges is recognised in equity item "Derivatives revaluation reserve". The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income.

Amounts accumulated in equity are reclassified in the statement of comprehensive income in the periods when the hedged item effects statement of comprehensive income. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the statement of comprehensive income within "Finance costs". The gain or loss relating to the ineffective portion is recognised in the statement of comprehensive income within "Other expenses".

Share capital and share premium

Ordinary shares are classified as share capital. The excess of consideration received from the shareholders and the nominal value of ordinary shares are classified as share premium.

Employee benefits

Short-term employee benefits, including salaries and social security contributions, bonuses and paid vacation benefits are included in the statement of comprehensive income on an accrual basis.

The Group has no legal or constructive obligation to make pensions or similar benefit payments beyond the payments to the state pension insurance and to the state funded pension schemes in different jurisdictions in accordance with local legislative requirements.

29. Subsequent Impact of COVID-19

Since March 2020 the Group's operations worldwide have been influenced by activities of national governments to control the pandemic spread of COVID-19. The imposed restrictions on public gatherings have mostly impacted on-trade segment activities; however the fast restructuring of business focus towards the off-trade segment, development of e-commerce distribution channels, as well as the response to consumer needs for sanitizing products by starting the production of hand and surface sanitizing liquids Virudes® and SteriGel® in Latvia and Estonia using the formula recommended by the World Health Organisation, delivered positive financial results to cover the impact of the negatives. The Group acknowledges that the medium and long-term impact of COVID-19 on the Group's business model is not yet fully predictable, however the management continues to focus on market changes and is ready to adapt fast.

30. Events After the Balance Sheet Date

In January 2020, the Group acquired 75% of Indie Brands Ltd and gained control over Indie Spirits Ltd (fully owned subsidiary of Indie Brands Ltd), a UK-based based distributor of alcoholic beverages.

In February 2020, the reorganization process of merging Amber Distribution Latvia SIA and Bravo SIA was finalized, resulting in Amber Distribution Latvia SIA serving both the wholesale and retail customers in Latvia.

In May 2020, the reorganization process of merging Interbaltija AG AS and its subsidiary Interbaltija Arka SIA was finalized.

In March 2020, Amber Distribution Latvia SIA obtained two short-term loan facilities from BlueOrange Bank AS in amount of EUR 15 million for net working capital financing purposes. In May 2020 the short-term loan of EUR 10 million has been fully repaid to the lender. Remaining portion of the loan is repayable till September 2020.

In April 2020, the Group established a new subsidiary ABG Real Estate SIA, whose main purpose will be management of a new warehouse project in Riga, Latvia.

In April 2020, considering the situation caused by COVID-19 and its impact on Latvia's national economy, AS Luminor Bank Latvian branch has granted a six-month loan grace period for non-current loans issued to the Group.

In May 2020, the Group has prolonged the overdraft facility with Luminor Bank until 30 June 2020.

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

Statement of Managers' Responsibilities

The managers are responsible for preparation of the consolidated financial statements in accordance with applicable law and regulations. Under that law, the managers have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

In preparing the consolidated financial statements, the managers should:

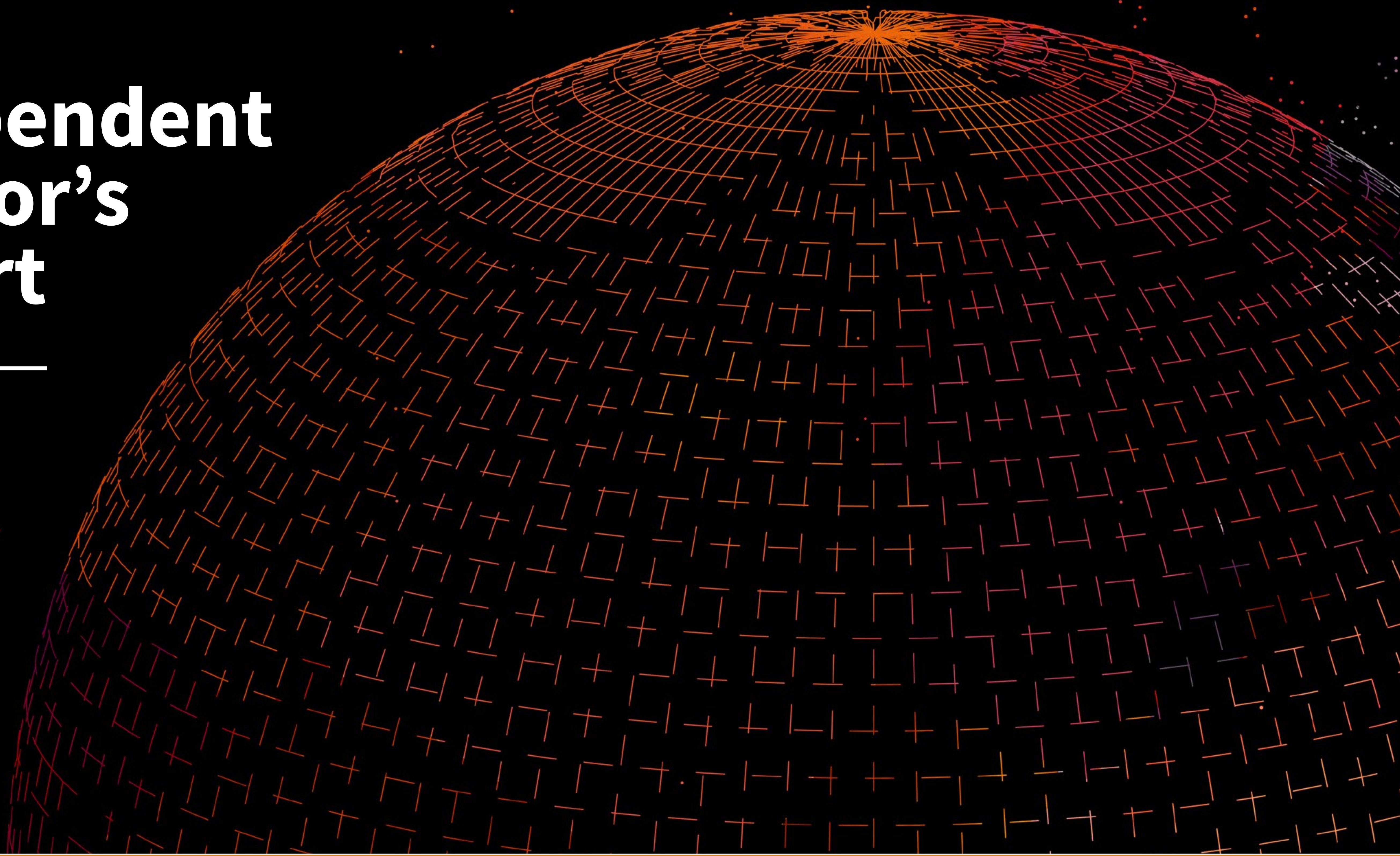
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable;
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business as a going concern.

The managers are responsible for ensuring that proper accounting records are kept, which disclose with reasonable accuracy, at any time, the financial position of the Group and which enable the managers to ensure that the consolidated financial statements comply with the IFRS as adopted by the EU. This responsibility includes designing, implementing and maintaining such internal control as the managers determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The managers are also responsible for safeguarding the assets of the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of Managers and signed on its behalf on 29 May 2020 by:

Seymour Paul Ferreira
Chairman of the Board of Managers

Independent Auditor's Report



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Audit report
To the Board of Managers of
Amber Beverage Group Holding S.à r.l.

Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Amber Beverage Group Holding S.à r.l. (the "Company") and its subsidiaries (the "Group") as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

Other information

The Board of Managers is responsible for the other information. The other information comprises the information stated in the annual report but does not include the consolidated financial statements and our audit report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Managers for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Managers is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Managers either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the “Réviseur d’entreprises agréé” for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers;

- conclude on the appropriateness of the Board of Managers’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Restriction on Distribution and Use

This report, including the opinion, has been prepared for and only for the Board of Managers and the Shareholders in accordance with the terms of our engagement letter and is not suitable for any other purpose. We do not accept any responsibility to any other party to whom it may be distributed.

PricewaterhouseCoopers, Société coopérative
Represented by

Andrei Chizhov
Luxembourg, 29 May 2020

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