AMBER BEVERAGE GROUP

Production Logistics Distribution Retail

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

AMBER
BEVERAGE GROUP

Production Logistics Distribution Retail

LATVIJAS BALZAMS

FABRICA DE TEQUILAS FINOS, S.A. DE C.V.

ТАЛВИС

AMBER LOGISTICS

AMBER DISTRIBUTION LATVIA

AMBER DISTRIBUTION ESTONIA

BENNET

Cellar Trends

INTERBALTIJA AG AKCIJU SABIEDRĪBA

LATVIJAS BALZAMS VEIKALI

bravoalco

HIGHLIGHTS

10.0m	9L Cases Total Sold
7.0m	9L Cases Alcohol Sold
€18.6m	EBITDA
€313.4m	Total Revenue
€13.8m	Operating Profit
€13.6m	Net Profit

OUR VISION

The Leader in beverages and beyond wherever we go

Statement of the Chairman

As Chairman of the Board of Amber Beverage Group, I am pleased to present our annual report and consolidated financial statements for the year ended 31 December 2017

Amber Beverage Group (ABG) was established in 2014 and it brings together our majority shareholding in Latvijas Balzams AS, our 100% owned entities Amber Distribution Latvia SIA, Bravo SIA, Bennet Distribution UAB, Interbaltija AG AS, Amber IP S.à.r.l. and Amber Distribution Estonia OU, Fabrica de Tequilas Finos S.A. de C.V., Amber Beverage Group SIA, ADL IP SIA, Amber Beverage Group UK Limited, and our shareholding in Cellar Trends Ltd and Tambovskoye spirtovoye predpriyatie Talvis OA.

Previously, the Baltic companies of ABG had operated independently, under the supervision of SPI Group. The unification of these companies has created a strong vertically integrated operation, which covers production, distribution, logistics and retail, all sharing a common goal of being the leader in beverages.

During 2017 we continued to focus on the expansion of our groups' business worldwide and experienced significant growth in our business, particularly through Moskovskaya® Vodka.

Moskovskaya® has proved to be a significant door opener of us in the world's leading spirits markets such as Spain, the United Kingdom, the United States and beyond.

With our firm foundation following the acquisition of Moskovskaya we continued our expansion both at the Baltic level, acquiring 100% of Interbaltija AG AS – one of the most experienced distributors of speciality wines in Latvia, as well as at the global level, acquiring 40% of Cellar Trends a leading distributor of alcoholic beverages in the UK.

The Group has also continued to grow and develop, reorganising to better position itself as a global business. We moved our headquarters to Luxembourg, along with our investment and holding activities (both for the current and the future shareholdings) to the parent company of the ABG – Amber Beverage Group Holding S.à.r.l. During the reorganisation of our internal financing structures, ABG acquired from SPI Group a majority shareholding in Talvis – a producer of rectified ethyl alcohol (based in Russia), therefore completing our transition to a fully vertically integrated company.

The commercial environment during the reporting period has been very challenging. Partially due to the political and financial situation in our domestic markets, where a number of factors adversely impacted our overall results. This year we have seen demand decline in our traditional consumer base, combined with continued excise and duty increases, particularly in Estonia, and the introduction of restrictions in advertising, distribution and promotional activities in all our primary distribution markets.

The net effect of which created consumer, trade and pipeline confusion, accelerating an ongoing shift from the traditional trade to big retail chains. In Lithuania the emergence of Lidl played an important role in shifting consumers from traditional retailers.

As a result of these political, economic and commercial pressures, we have seen a significant increase in competitive activities designed to drive volume with more aggressive pricing activities, frequently at the expense of margin, in all our key markets.
ABG, however, remains cautious about discounting for volume; we are focusing instead on our revenue management principles of promotion effectiveness, building value through new product development (NPD), and on driving our 4 core business objectives:

- Building effective teams;
- Delivering quality and value to our customers and consumers;
- Achieving operational effectiveness and efficiency;
- Strengthening our market positions and growing through new business and acquisitions.

In 2017 we continued to invest in the development of our capabilities and in the effectiveness of our teams. Supporting this investment, throughout ABG, with the introduction of performance, management, personal development and coaching, against which the key standards for the more than 1 600 people who work in our companies, are set.

Our goal to deliver exceptional quality and value to our customers and consumers continues to be supported by the strength and depth of our distribution companies and the brands we represent.

We are proud to carry an iconic range of brands and to have grown our share across the important categories we compete in. We are looking forward to growing our co-operation across the Baltics with Beam Suntory, William Grants, KWV and Concha Y Toro and individually in each country with the many companies with whom we are fortunate to work with. We have also worked on introducing and developing our Tequila Brands and introduced Rooster Rojo® which we expect to add significant value to the ABG owned portfolio.

A very considerable focus for ABG is the continuous improvement of our ability to deliver excellence, every day, and from that drive efficiency. To support this important goal, we have invested in our systems and processes across the business. launching a common Enterprise Reporting Platform (ERP) for all ABG companies, as well as a new CRM system for our Baltic distributors.

Likewise, we have been upgrading our production facilities and in 2017 invested nearly 3.9 million EUR and continued with the LEAN project. As a result we are on track to achieve our goal to improve the cost and quality efficiency of our production and bottling processes. We are confident that, as a result, we are creating the best spirit and sparkling wine production facilities in the Baltic's. These facilities will continue to provide our companies, customers and consumers with excellent value and consistently high quality products.

In this year, we also saw further development of Amber Logistics, which is one of the largest specialized logistics service centres in Latvia, with a modern 40 000 square meter (12 800 pallets) dedicated warehouse. ABG has been concentrating on the efficiency of the warehouse management for all our Baltic operations, as well as servicing 3PL (third party logistic) businesses.

In our export team, we have been pleased with the significant gains we have made building new distribution across the world. Adding new partners for our core brands in Czech Republic, Bulgaria, Malta, Panama, South Africa, China, UK, Spain, Italy and many more.

We have also been very busy creating and re-energising our consumer platforms for our core brands, Cosmopolitan Diva®, Moka®, Riga Black Balsam®, Grand Cavalier®, Lucky Dog® and Moskovskaya® Vodka. We are now well positioned for growth in both export and local markets.

Critical to these growth plans has been our new product development (NPD) programme, which in 2017 successfully delivered 25 new products and line extensions to the market. Our NPD skill set is one of our major assets, and it underscores our strength in innovation and in our marketing capabilities.

Our people are our core strength and it is mainly through their commitment, enthusiasm and often tenacity that we have achieved so much during this challenging year of reorganisation. The Group employs over 1600 people across our markets and whilst most of our teams are local nationals, we have taken the opportunity during 2017 and 2018 to add expertise attracting international professionals to join ABG.

Outlook

In 2018 we will continue to consolidate the work started in 2017 and to invest in our core capabilities and businesses.

In all our current markets, we will further strengthen our core brands, by developing innovative consumer communication and by investing in our route to market and will continue to seek to lead the market, locally and internationally, with our creative propositions.

In 2018 we will focus on driving growth in our core export markets supported by our focus on our well-known brands – Riga Black Balsam®, Moskovskaya® Vodka, Rooster Rojo®, Grand Cavalier®, Cosmopolitan Diva® - investing appropriately in building their international recognition and brand equity.

ABG will also continue to support and grow our critical third-party Brands, building our capabilities and our effectiveness to develop our business in line with Brand Owner expectations across all our owned routes to market.

Supporting our brand and route to market plans will be our continued efforts to improve our overall efficiency both at the Baltics and global markets, improving our production capabilities and increasing our focus on excellence in purchasing, planning and infrastructure improvements.

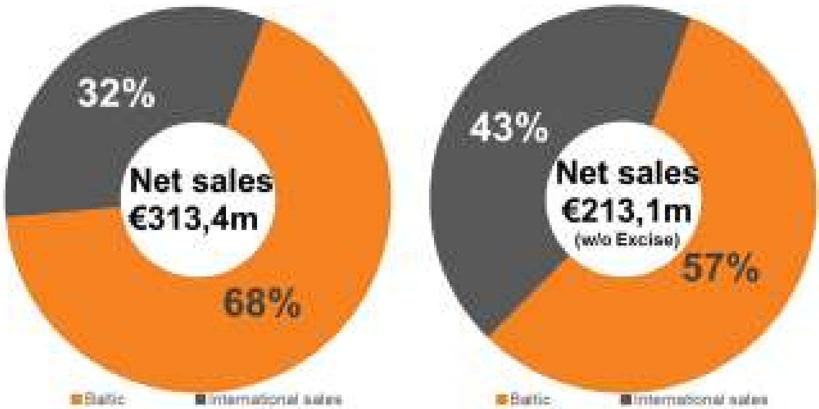
With this in mind we plan to improve our production capabilities further, adding additional focus to purchasing, planning and infrastructure improvements.

I believe that we are well positioned to take our business forward in 2018.

Seymour Paul Ferreira

GROUP AT A GLANCE
Building our strength in spirits

2017 NET SALES REVENUE



VOLUME

10 m
9L cases sold

CORE BRANDS

Products produced by Amber Beverage Group are sold in over 185 countries around the world

HEADCOUNT
Full-time equivalents

1 661

Volume, k 9Lcs	**10 034**
Reported movement	9%
Organic movement	1%
2017	10 034
2016	9 214

Net Sales, mil	**€ 313.5**
Reported movement	22%
Organic movement	3%
2017	313.5
2016	256.5

Operating profit, mil	**€ 13.8**
Reported movement	-7%
Organic movement	4%
2017	13.8
2016	14.9

	Revenue	Volume, 9lcs '000	Headcount
AMBER BEVERAGE GROUP Revenue +20% Volume +9%	100,0%	10 034	1 661
Distribution and Retail Baltics Revenue +8% Volume +4%	67.4%	5 927	680*
Distribution rest of the world Revenue +100% Volume +100%	10.0%	390	75
Production Baltics Revenue +1% Volume +2%	17.8%	3 401	615
Production rest of the world Revenue +189% Volume +167%	4.9%	316	291

* including Group management personnel


RIGA
BLACK BALSAM®


DIVA
BERRY


TEQUILA
J2RACING

Our Main Brands

Brand Portfolio Management

ABG manages over 600 brands, including more than 130 brands (over 1 000 SKUs) that we own and produce.

Over the past few decades, as the Baltic States have integrated into the global marketplace, consumer habits continue to transform−both locally and globally−and marketing platforms and techniques have multiplied.

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 continued development of the tequila brands portfolio by leveraging our factory in Tequila town, Jalisco in Mexico.

This factory already has on-going business of private labels, which we have successfully taken over since the acquisition in 2016.

Major brands that were taken over includes AC/DC Thunderstruck tequilas, which were available only in USA market. These have now been presented to a wider global audience.

At the same time, many new global brands are under development, which are planned to be launched in 2018.

As the leading importer and distributor in the Baltic region, our local ABG companies have the honour to represent premier distillers and vintners from all around the world, bringing celebrated brands to Latvia, Lithuania, and Estonia.

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 across 30 international markets, with over 4 million bottles produced every year.

Riga Black Balsam® is beloved by industry experts and 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 Currant® (original recipe is enriched with blackcurrant juice), Riga Black Balsam Cherry® (enriched with cherry juice) and the rum-based Riga Black Balsam Element®.

Rooster Rojo Tequila®

SUPERB TASTE 100% AGAVE TEQUILA
Awarded at Tequila Masters awards in 2018

BLENDED WITH SILVER-FILTERED WATER
First tequila to use this technology in the world

PRODUCED IN THE HEART OF UNESCO PROTECTED TEQUILA PRODUCTION REGION
At the foot of Tequila hill in Mexico

EXCEPTIONAL PACKAGE
Tall craft bottle with vintage cork stopper

STRONG AND MEMORABLE BRAND NAME
Rooster is unofficial symbol of Mexico

UNIQUE BRAND EXPERIENCE
Addresses independence and Discernment consumer need states what is different vs competition

BRAND POSITIONING IS VIVID REVELATION
Discovery of one's better side, escape from routine, transformation into higher plane, sense of independence

KOSHER CERTIFIED

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

Rooster Rojo® is extra smooth tequila, produced using only the best ingredients and production techniques which results 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.

Cosmopolitan Diva®

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

Cosmopolitan Diva® was launched successfully in Chinese markets to become an exclusive drink in top level clubs, later expanding in the Baltic markets become TOP3 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 US.

Moskovskaya® Vodka

Moskovskaya® Vodka — 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 50 markets worldwide, expanding distribution in US and LATAM markets over the last years.

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

Our Successful Business Model

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 epic brand experiences.

We have developed a deep understanding of consumer need states and our local teams continuously generate actionable insights in respect to consumer usage and attitudes, life-style 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.

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.

Effective and efficient new product development

We execute a world-class NPD 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.

Product portfolio analyses

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 performs according to external benchmarks and clear internal standards.

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 address their respective category objectives and act as category management partner and value generator.

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 regards 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.

Our Successful Business Model

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

Marketing effectiveness

2017 was year of strategic investments in core brands, including development and launch of a new tequila brand Rooster Rojo®.

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.

Procurement and production

Group's buying power

The Group reorganised purchasing department functions and responsibilities with strong focus of acquiring raw materials under the most competitive terms – price, quality standards and stock levels.

Capacity

The Group has nearly 7.3 dal (dekalitre) of bottling capacity at its two bottling sites located in Latvia. At the moment, total capacity utilization 30% Briana and 70% Caka that give us strong platform for future growth without significant investments.

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.

Cost reduction

The Group strives to reduce production cost by means of the constant improvement of production processes. In 2017 Latvian 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 up functions, as well as logistics & warehousing.

Targeted capital investment

In 2017 our focus for investments was to the Caka site to automatize packing and de-palletizing zone, implement warehouse management system in our raw materials warehouse, increase production capacity for Elit line and some other investments to increase production efficiency and improve our competitiveness.

Business processes

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.

Our people

We want all our employees to reach their full potential and play their part in the success of our business. To achieve this, we have created a diverse and inclusive culture, with shared values and a common purpose.

Performance management

We implemented a new Business Intelligence (BI) tool that allow us the possibility to analyse the profitability of the Group online and within different dimensions.

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

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.

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.

Alcohol Beverage Market Overview

Over the last three years, the alcohol beverage (excl. beer) market value grew at an 2.2% compound annual growth rate (CAGR) in the Baltics.

The market value growth was driven by increased market competition and improved consumer expectations due to economic recovery, while population decline, and excise tax increase, have some negative impact on volume.

A rapidly increasing competitive environment due to proliferation of imported brands, has resulted in a steep increase of both market concentration and retail promotion pressure. Introduction of new regulations on advertising and trade, increased market pressure even more and limit new brands' growth thus leaving opportunity to established heritage brands.

The latest excise tax increases have brought higher pressure on low alcohol by volume (ABV) beverages and value products, giving better opportunity for established and well-known spirits brands growth in Lithuania.

The performance of ABG reflects our ability to identify and take advantage of these trends by expanding our third-party brand portfolio and developing own brands, supported by consistent investment in brand building and innovations, combined with strengthening our presence in all Baltic markets.

Improving consumer expectations and growth of disposable income has changed consumer behaviour driving demand for higher value branded spirits and wines in the Baltics.

Our focus on development of our own brands locally and globally, as well as development of our partners' brands is enabling us to have a strong performance. This positions ABG as the preferred distribution partner for leading brands, targeting Baltic markets, as well as being a top choice for our export partner markets.

Alcohol Beverage trends

Over the last years, changing consumer tastes and search for new experiences, has established new trends in the alcohol industry.

Traditional brand producers are increasingly experimenting with bringing new cross category offers, targeting new consumer needs and going beyond traditional categories, by offering new tastes and experiences.

Crafted products are one of the top themes of the alcohol sector in the past years. This has led to an explosion of independent distilleries and breweries, driven by consumers' experimentation, as well as innovative mixology in on-trade.

ABG successfully meets those trends by developing new cross category offerings like Cosmopolitan Diva® or leveraging the heritage of core brands such as Riga Black Balsam®.

Categories development

The spirits category is demonstrating higher growth than the average alcohol beverage category, at 2.9% CAGR over the last 3 years in the Baltics.

Wine value was growing at lower pace, with CAGR growth over the last 3 years at 1.14%.

Consumer confidence improvement and increased activity of international players drove growth of the Cognac/Brandy, Whisky, Rum, Gin and Tequila categories.

The biggest category in spirits Vodka, is continuing the trend towards premiumisation.

One of fastest growing spirits categories is Tequila, growing globally 20% by volume and 50% by value over the last 5 years. In the Baltics, it grew by 41% and 54% accordingly.

Raised awareness of health and social responsibility

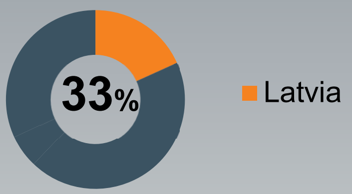
A combination of government regulation and increased consumer awareness of the health issues associated with alcohol consumption, is prompting increased demand for lower alcohol-by-volume spirits ranges. Spirits brands whose ranges include lower alcohol-by-volume and versatile mixers are well placed to take advantage of this trend.

ABG's social responsibility programme includes voluntary markings on our core brands product labels in respect to responsible drinking.

AMBER DISTRIBUTION LATVIA

INTERBALTIJA AG AKCIJU SABIEDRĪBA

No. 1 distributor in Latvia in terms of volume and revenues.



Net sales in Latvia, %from total

102.6

Net sales in Latvia, €m

27%

Volume market share 2017

Latvia

Amber Distribution Latvia (further ADL) is the No. 1 distribution company in Latvia in terms of volume and revenues. We serve more than 4 500 customers around Latvia including OFF-trade and ON-trade supply.

In 2017 ABG extended operations in Latvia by acquiring Interbaltija AG – premium wine and spirits distributor with focus on Horeca segment. Acquisition allowed strengthening position within imported still wine category.

In 2017 our overall volume share in Latvia reached 27% (ADL 26%, Interbaltija 1%), including combination from 22% volume share of the vodka, 46% of the RTD (ready to drink), 59% of the sparkling wine, 57% of brandy, 74% in bitters and 51% in liqueurs.

The ADL portfolio comprises more than 250 international and local beverage brands, and our selection of fine wines includes more than 400 labels from 45 winemakers around the world. Interbaltija has sold over 450 brands in 2017 from which more than half are imported still wine brands. 2017 was affected by increase in excise tax by 3.57% on strong alcohol, 5.41% on wine, 5.41% on light alcohol and 7.14% on beer posted by the government in March. This increase resulted in total product shelf prices increasing by over 2.5%, despite price increase total market volume grew by 5.4% and ADL and Interbaltija in total by 7.9%. Market increase has driven higher demands for promotional support from all our customers and increased competition between spirits distributors. Taking into account the overall market situation, we will concentrate our efforts to work out the most efficient promo spending strategy and achieved increase in total Brand Contribution in Latvia by 13.2% vs 2016.

Core brands

Jim Beam (volume +42.7%, value +41.4% vs 2016). Rapid development has lead Jim Beam to No.1 whiskey brand in Latvia. Frequent BTL activities with focus on Off-Trade (price-promos, additional placement, branded displays). Performance in key Off-trade clients with aggressive price offers influenced by competitors' behaviour.

Riga Black Balsam® (volume +15.7%, value +15.4% vs 2016). In 2017, we launched Riga Black Balsam Cherry®. Our company continued to develop brand by ATL and BTL activities in different channels and participated in "Positivus" festival achieving great visibility.

Moskovskaya® (volume +31.6%, value +29.8% vs. 2016) growth achieved greatly by sales to KA next to Estonian border.

Bosca (volume +11.8%, value +11.1% vs.2016) after becoming No.1 sparkling wine in Latvia in 2016, has continued its growth with ATL and BTL activities across various channels.

Riga Sparkling wine (volume +2.1%, value +2.5% vs 2016). Investments in both ATL and BTL, keeping focus on off trade (price promos, additional placements, sales motivation).

With a target to recruit new consumers and to penetrate distribution, we made huge number of tastings. Products were advertised at “Summer Sound” and “Positivus” festivals.

Cosmopolitan Diva® non-alco was launched in the second half of 2016 and is developing its market position successfully.

New product development

The Group continued to launch New Products into Latvian market in 2017 with number of successful launches that will provide 2018 value share growth.

We expanded our portfolio with launch of Riga Black Balsam Cherry® and received a lot of positive references. Launch of Riga Black Balsam Cherry® did not affect sales volumes of existing Riga Black Balsam® products.

In soft drink category, we launched Green Cola allowing expanding volumes in soft drink category more than 5 times vs. 2016.

Recognition of our distribution capability

In 2017, we signed agreements with Green Cola and still wine producer Faustino to distribute their products in Latvia.

Achieved efficiency

During 2017 we continued to focus and train our current sales team to switch from volume orientation to profitability orientation. We performed detailed reviews of our product portfolio to ensure that we have profitable products that meet consumer needs at all price points. We upgraded our customer and margin management tools.

In 2017, we eliminated costs that were not adding value and reallocate resources, especially centralizing Back Office functions with Amber Beverage Group and automatisation of reporting.

Lithuania

Bennet Distributors (Bennet further) is the No1. alcohol importer in Lithuania serving over 7.100 customers in its key accounts, Horeca (hotels, restaurants, cafes segment), and in traditional trade channels. Bennet Distributors has well developed distribution network throughout Lithuania with sales more than 41 million bottles annually. Bennet Distributors runs a fleet of 30 trucks and vans and provides 14 000 m2 in warehouse area.

The largest beverage categories for Lithuania, where we enjoy leadership position in absolute numbers, are whisky 33.0%, brandy 34.1% and wine 22.2% markets share by value and leadership in imported drinks segment in vodka 12.3% and sparkling wine 6.9% share of market (SOM).

Bennet provides unique local expertise and knowledge that is invaluable for brand owners, to create, develop and implement a marketing strategy that is focused on the Lithuanian market. Bennet Distributors portfolio comprises more than 210 international beverage brands and more than 16 Latvijas Balzams brands.

2017 was affected by drastic increase in excise tax by 23% for spirits, up to 94% for intermediate products, 111% for wine and 112% for beer category posted by the government on March 1st.

Excise increases together with legal restrictions on alcohol sales availability and legal drinking age led to volume decrease of 3% in 2017 vs 2016.

Last year alcohol sales volumes were 13% less in Lithuania – and that was the worst year of the decade. Main reasons for this – heavy excise duty increase over last three years, restrictions of alcohol trade and marketing, decreasing number of population and new healthy lifestyle trends.

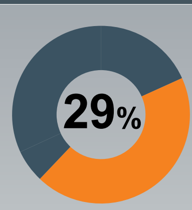
Core brands

Despite declining alcohol market size and drop in our total volume, we continue to succeed with many of our core brands and new product launches that provide some comfort that we will be able to deliver strong results in the medium to long term.

Stolichnaya: 13 thousand 9Lcs / + 5.8% vs 2016 good result in declining Vodka market (-6% vs. LY) is led mainly by growth in the off trade generated by competitive pricing.

Moskovskaya®: 71.5 thousand 9Lcs / - 6.3% vs 2016 decline in volume caused by aggressive competitive pricing by local producers of mainstream leading brands and private labels. However, value market share of Moskovskaya® remained stable vs. 2016.

No1. alcohol importer in Lithuania serving over 7 100 customers



Net sales in Lithuania, % from total

90

Net sales Lithuania, € m

34.1%

Brandy market share by value 2017

Grand Cavalier® brandy: 96 thousand 9Lcs / -7% vs 2016. Due to aggressive off trade activities as well as ATL campaign in Q4, Grand Cavalier® has declined less than total brandy category and grew market share by +1 p.p. Focus on off trade activities and improvement in shelve presence.

Bayou: 580 9Lcs were sold in 2017. Result was mainly led by good performance in on trade. Distribution expansion in modern trade chains with launch campaign gave positive effect on sales performance also.

Finlandia Vodka: 35 thousand 9Lcs / -22% vs 2016. Finlandia, as well as whole Premium Vodka Set, is suffering from price promo advertising ban and loosing competition to mainstream whiskey in off trade, while on trade is stable.

Jack Daniels: 31.5 thousand 9Lcs / -8% vs 2016. This is led by aggressive Irish whiskey activities in retail and On Trade.

Torres brandy: 69 thousand 9 Lcs / -10% vs. 2016. Maintaining market share and Nr. 1 premium brandy position in decreasing brandy market. Sales were affected by aggressive discounting among other premium spirits mostly in currently trending whisky category.

New product development

Bennet continued to launch New Products and categories into Lithuanian market in 2017 with number of successful launches that will provide 2018 value share growth. Biggest launches were Riga Black Balsam Cherry bitter, Jack Daniels Fire liquor, Freixenet Prosecco sparkling wine and many other smaller ones.

Recognition of our distribution capability

In July 2017 contract with German producer Joh. Wilh von Eicken was signed for supply of filter cigarillos.

Achieved efficiency

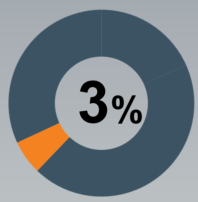
We go through detailed reviews of our product portfolio to ensure that we have profitable products that meet consumer needs at all price points. 218 SKU's were delisted and sold out in 2017.

Due to changes in the legislation environment, market and work organisation with clients and partners in 2017, we increased our focus on effectiveness. We reviewed organisational structure and decreased the headcount by 13 employees.

AMBER
DISTRIBUTION ESTONIA
Part of AMBER BEVERAGE GROUP

Estonia

More than 1 500 outlets across the country with a portfolio of more than 180 brands



Net sales in Estonia, % from total

10.6

Net sales Estonia, € m

1.3

Total Brand Contribution in 2017, € m

Amber Distribution Estonia (ADE further) is small, but competitive and dynamically developing distributor of international wine and spirits brands in Estonia.

The company serves more than 1 500 outlets across the country with a portfolio of more than 180 brands. Since joining ABG, where we pool our expertise and financial resources, we can now support a consumer-driven portfolio strategy and 24-hour delivery policy. This means we can continue to increase our market presence and market share in Estonia.

2017 was affected by increase in excise tax by 10%, posted by the government on the 1 February 2017. This increase resulted in total product shelf prices increasing from one side and market decline by -12.3% from the other side. However, our major focus category was affected the most with strong spirits category decline by -20%.

Despite the market overall decline, ADE managed to fall less than the market – domestic alcohol volume sales decrease -11.5% vs 2016. Total Net sales in 2017 are 10.6 million EUR and market share remained at 3%. The stability in market share was driven by Bitters category +9%, Sparkling wine category +2% and ability to hold Whiskey category sales levels. Whiskey category contributed to 33% of the total Net sales. Brandy category suffered greatest decline by -14%, followed by Wine category -13% and Vodka -12%, influenced largely by the trend of direct import of products in these categories by key retailers.

During 2017 we worked very hard on profitability efficiency tools and achieved increase in Brand Contribution margin, 11.4% in 2017 vs 10.3% in 2016, reaching EUR 1.3 million.

Core brands

Moskovskaya®: (domestic sales volume -12%, value -6% vs. 2016). Despite market decline by -20% in vodka category and strong competition in main-stream segment Moskovskaya® managed to strengthen its position in the market and is still among leading brands in imported vodka category.

Riga Black Balsam® (volume +14%, value +10% vs.2016): Despite market decline of -10% in bitters category, Riga Black Balsam® has strengthened its position. Increase driven by successful launch of Cherry taste in August and expansion of listings in traditional trade shops.

Beam Suntory Whiskeys: 8.5 thousand 9Lcs +11% in volume, +11% in value vs 2016. Jim Beam was investing mainly in BTL, keeping key focus on Off-Trade (price-promos, additional placement, branded displays).

New product development

ADE most successful launch of new products into Estonian market in 2017 was Riga Black Balsam Cherry® that was well accepted by the market. From zero in July 2017 it reached to listings in key chains (e.g. Maxima, Selver, Coop, Naltu) at the end of 2017.

Previously launched sparkling wine brand Cosmopolitan Diva® managed to keep its No.3 position in the market also in 2017.

United
Kingdom

Cellar Trends

United Kingdom

During 2017 ABG acquired a strategic share of Cellar Trends Limited, a mid-sized distributor in UK. Cellar Trends has been operating in the UK for over 17 years providing a high-quality home for third party brands that are looking to access the highly competitive UK marketplace. The business has built from providing a home for a small number of brands to now distributing a portfolio of over 45 brands.

The company's expertise was built in the wines and spirits sector, but this has now branched out into covering beer, cocktail ingredients and mixers. This expertise extends through the supply chain with relationships developed at a national level with key multiple operators (both on and off trade), and at regional levels with local routes to market as well as individual bars and outlets.

A critical pillar of Cellar Trends' performance is the strength of the overall portfolio with no single brand dominating. Whilst Faustino represents nearly 40% of the 460k standard case volumes in the business, the wine sector is typified by lower margins. Within spirits the Luxardo portfolio is a core element with 14% of the overall volumes. This balance in the portfolio allows the business to attract new brands, which in the past 12 months include Chang beer from Thailand, as the business will be able to offer focus across the portfolio.

2017 in the UK was characterised by uncertainty across the wider economy and a decline in real wages. This is most noticeable in the casual dining sector where a range of high profile outlet closures have been seen. Against this backdrop overall volumes were 16% up in 2017 when compared to the previous year.

Core Brands

Faustino Rioja: Through development of existing accounts and a new major retailer listing Faustino volumes grew by 34% in the year. This was mainly through the lower margin lines where the twin pressures of market price and exchange rate levels made profitability challenging. Despite this Faustino now sits as the 2nd largest Rioja brand in the UK and 3rd largest branded Spanish wine.

Luxardo: Sambuca continues to be a price sensitive market in decline with consumers switching away from the shot category. This, combined with a delist in a major retailer, drove overall portfolio volumes to drop by 11% in the year. Luxardo remains the number one Sambuca brand in the UK on trade.

Luc Belaire, a premium branded sparkling wine: A true star performer in the portfolio with volume growth of 68% in the year. This was driven by local activation in the "urban" marketplace with heavy use of imaginative POS and "influencer" social media and consistent targeting of core competitor brands.

New Brands

During 2017 several new brands were incorporated in the portfolio including Chang Beer, Arinzano, Bayou Rum, Italicus, Moskovskaya® and La Copa Vermouth. Success on these was mixed with some lacking the marketing support funds to launch dynamically and to deliver growth beyond organic seeding development. Looking forward to 2018 this seeding needs further focus to fully integrate these brands into the marketplace.

Efficiencies

The company 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. During the year a tightening of the FX policy removed some of the historic fluctuations that had been seen, whilst the addition of the Chang volume to the portfolio delivered significant distribution cost savings.

Mexico

Fabrica de Tequilas Finos S.A. de C.V. (FTF further) was established in 1999 and started production 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.

In 2001 FTF started producing Tenoch Tequila followed by Stallion, Tonala, Don Camilo, Zapopan, Santos and other brands. All the brands have been marketed with great success in the United States.

In 2016 the factory was acquired by ABG, followed by introduction of new brands as Rooster Rojo® and Cenote, which are marketed worldwide.

FTF has certified quality management system (NSF), its products have been Kosher and Organic certified.

In 2017 and followed in 2018 the FTF has been rated in TOP 10 of quality tequila producers, winning several industry awards.

International Sales

Results

ABG international sales cover sales of products under brands owned by the Group, as well as sales of private labels owned by SPI Group. The Group is also engaged in production of private labels owned by third parties. Sales of products under brands owned by the Group include Latvijas Balzams brands, Fabrica de Tequilas Finos produced brands and Moskovskaya® vodka brand. The Group acquired Moskovskaya® vodka brand from the related party in 2015.

In 2017 export revenues excluding Moskovskaya® vodka and SPI Group private labels grew 11% vs. 2016, while volumes dropped by 1%. The only factor behind decline in volumes was the decision to deprioritise low margin private label projects and focus on core ABG brands in international markets. We have successfully expanded list of priority brands, actively selling Cosmopolitan Diva® on top of successful Riga Black Balsam® sales.

During 2017 International sales division managed to increase sales revenues for Moskovskaya® vodka by 2% vs 2016. We successfully launched Limited Edition products in largest Moskovskaya® markets.

Sales volume of Riga Black Balsam® +26% in 2017 vs. 2016, with significant growth in Russian market +110% vs 2016.

Cosmopolitan Diva® volumes grew 8% also expanding to new customers and countries globally, adding 3 new geographies in 2017.

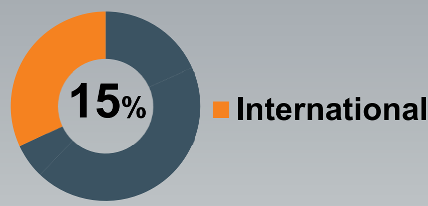
Volumes of private labels owned by third parties -31% vs. 2016 the main reason being portfolio optimisation, focusing only on more profitable projects.

Volume sales of private labels owned by SPI Group amounted to 3 million 9Lcs - in line with 2016. This is considered a good result considering continued pressures on the vodka category consumption globally.

Achieved efficiency

During 2017 foundations for future growth was established with investments in the international sales team, as we added Sales Area Manager position in Scandinavia/Russia/UK/Germany. Moskovskaya® vodka clearly helped us to establish more new contacts with new customers globally and we plan to capitalise on this strength and continue to add more product ranges to already existing contracts, as well as further expand our global footprint.

Volume sales of private labels amounts to 3.2 million 9Lcs



Net International sales, % from total

47

Net International sales, € m

26%

Increase in volume sales of Riga Black Balsam® in 2017

LATVIJAS BALZAMS

Latvijas Balzams

AS Latvijas Balzams (further on Latvijas Balzams) is the biggest and one of the oldest alcoholic beverage producer in the Baltics. Our production and bottling traditions began in 1900, when the first state alcohol monopoly warehouse was established in Latvia. Now we have a leading presence in all key spirits segments, as well as in sparkling wines, ciders, and RTDs, in the Baltic region. The newest generation of spirits, including Riga Black Vodka® and Amber Gold® Vodka, are produced using innovative filtration technologies that result in particular character profiles for beverage connoisseurs.

Currently Latvijas Balzams operates two alcohol production facilities in Riga – a production plant for strong alcohol beverages and a production plant for sparkling wines and light alcohol beverages. We use ingredients from around the world and have retained our traditional beverage production technologies. The recipes for some of our signature products date back hundreds of years, for example the formula for Riga Black Balsam® was officially written down in 1752, but our own Moskovskaya® Vodka dates back to the end of the 19th century.

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

Latvijas Balzams has been successfully operating as a European logistics hub for the distribution of the Group's brands in Europe, including Scandinavia and Russia (Bayou, Arinzano, Achaval Ferrer. The Customer Service Center of Latvijas Balzams has taken over also customer service and inventory management services for these brands since the third quarter of 2017.

In 2016 Latvijas Balzams launch a multiple-year efficiency improvement program, which is based on the LEAN method and automation solutions. In 2017, Latvijas Balzams continued investing in production, specifically focusing on the improvement of efficiency and adaptability and the preservation of the low cost base. Investments made by Latvijas Balzams in 2017 amounts to EUR 1.66 million. Several projects were launched, and they are expected to bring returns starting from 2018 and to the full extent in 2019:

- a LEAN project on the involvement of employees in the implementation of suggestions for improvement;
- a LEAN project on the reduction of the inter-format transition time;
- the preparation of the plants for the installation of automated packaging machines;
- an increase in the capacity of the specialised Elit drink line;
- an inventory management module in order to improve purchase planning;
- the management of inventories of Baltic distributors by Latvijas Balzams (VMI – vendor managed inventory);

- automatic data exchange with sea freight forwarders;
- the automation of the materials acceptance process.

Moreover, in 2017 Latvijas Balzams started producing several new types of products, such as the Stoli Crushed range, which is a mix of vodka and natural juices intended for the US market. Another big step was the expansion of the Riga Black Balsam® range where sales of Riga Black Balsam Cherry® reached the annual target figure just over a couple of months. Together with the above, 25 new product launch projects were implemented in 2017. Together, this allowed us to achieve growth of stand-alone gross profit of 4.8%, and increase of stand-alone turnover by 3.4%.

ТАЛВИС

TALVIS

Tamobovskoye spirtovoye predpriyatye "Talvis" AO (Talvis further) is the biggest producer of "Lux" and "Alpha" spirits in Russia and is listed in the 100 best ecological enterprises of the Russian Federation. Since 2003 the company is a part of SPI Group. In 2017 within internal reorganisation, ABG acquired Talvis from SPI. Reorganisation was finalised only in December thus only the results of one month of Talvis performance is included in ABG consolidated numbers.

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 dekaliters per day.

Each year over 70 000 tons of grain are processed, providing the raw material – spirit – for the producers of alcohol beverages both in Russia and other countries. With production output over 40% of volumes are sold in export markets.

Financial Overview

It is difficult to compare ABG 2017 financial results with 2016 due to rapid expansion of the Group and impact of newly acquired companies. Within 2017 we added wine distribution company Interbaltija in Latvia, Cellar Trends in UK and spirit distillery Talvis in Russia. Plus, results are affected by full year effect from the acquisition in 2016 of Fabrica de Tequila Finos.

In 2017, we spent much time and efforts integrating newly acquired companies and feel very strongly that we established a solid platform for Group organic growth in 2018.

In addition, it should be mentioned that Group Net sales and EBITDA (earnings before interest expense, tax, depreciation and amortisation) have been significantly impacted by the following:

- our underlying results for both Net sales and EBITDA were impacted by continuing excise duty increase in our primary distribution markets, dramatic increase in price of raw materials (agave) that was difficult to pass over to customers;
- our margins on Baltic markets were affected by the ongoing shift from traditional trade to big retail chains. In addition, because of the high level of competition, we have seen deeper discounts and more aggressive pricing-related activities, frequently at the expense of the margin.
- on the other side, following the acquisition of the Interbaltija AG, the major stake in Cellar Trends in April 2017 as well as Talvis in December 2017, made it possible to increase the net turnover of the Group by EUR 39.8 million.
- Increase in selling and administration expense mainly effected by adding up our acquired business. Increase in selling expense (15.5%) comes from new business and administrative expense 39.4% from new business.

In 2017, we achieved EBITDA of EUR 18.6 million which has been impacted by rapid increase in agave price in Mexico therefore reducing the positive impact from expansion of the Group.

All achievements were driven by the improvement of operations that was worked through to integrate and align many of our processes across the Group, so that we could develop a stable platform for the improvement of our performance in upcoming years and operate consistently pursuant to the highest standards and deliver flexible and low-cost production and logistics.

During 2017, 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 in new export markets.

We are constantly working on the elimination of costs that do not add value. For example, the LEAN project resulted in the improved efficiency of our production and bottling processes and a decrease in production costs by 1.75% vs. 2016.

We centralised Latvian logistics and warehousing services under the Latvijas Balzams roof, thereby achieving a decrease in warehouse costs by 8% vs. 2016 in addition to the improvement of inventory management.

We were working hard to shift our focus from volume to profitability and upgraded our customer and margin management tools. We are going to proceed with our work on promo efficiency in 2018.

During 2017 we continued our work on effectiveness that we reach by reallocation of resources, like the centralisation of all back-office functions within ABG

Non-recurring and extraordinary expense

Non-recurring expenses occurred regarding Groups expansion and acquisition of new subsidiaries. These expenses in the amount of EUR 0.56 million are recognised under Administration costs.

Finance revenue and costs

Finance revenue of EUR 1.5 million included mainly interest income from a loan issued outside the ABG. We completed the restructuring of all intercompany loans at the end of 2017; as a result, intercompany loans are issued via Amber Beverage Group Holding S.à r.l. (newly established holding company in Luxemburg).

In 2017, ABG continued the restructuring of loan facilities with banks, which resulted in more flexible and modern cash flow management. Additional loans of EUR 5.7 million were obtained to finance the acquisitions of Interbaltija AG and major stake in Cellar Trends, thus finance costs increased by EUR 258 thousand.

In response to the changes in excise tax rates in Lithuania, the Group managed to acquire bank financing to fund the short-term increase in working capital. The related financing costs of transaction impacted the consolidated statement of comprehensive income by EUR 99 thousand, still the Group considers the benefits from transaction outweighing the respective costs.

As a result, our finance costs of EUR 2 million reported in the consolidated statement of comprehensive income primarily include costs of third-party bank debt and foreign exchange costs due to the conversion of borrowings from USD to EUR.

Cash flow

Both the level of generated profit and the timing of sales in the fourth quarter impacted the Group's cashflow. Owing to the strong cashflow 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 covering all our subsidiaries makes it possible to manage our cash position in the most beneficial and profitable way.

Our working capital improved from 2016 mainly due to our targeted efforts to enhance inventory management and the careful control of debtor limits and routine monitoring of debtor's payment discipline.

Net debt and financing

Net debt from credit institutions at the end of December 2017 was EUR 33.2 million, giving a year-end net leverage (of total assets) of 13.3% vs 18.3% in 2016.

During the 2017 the net debt from credit institutions has decreased by EUR 5 million, considering increase by EUR 1 million loan obtained to finance the acquisition of Interbaltija AG.

The Group benefitted from putting together all our cash resources in a single cash pool, which gave sufficient headroom to finance both organic and inorganic growth of the Group.

Debt maturity profile

The Group's bank facilities consist of three to five year loans of EUR 22.8 million. Overdraft facilities, whose maximum amount is EUR 24.9 million, have been provided by two major cooperation banks. Please see more details in Note 22 to the financial statements.

Principal risks

ABG believes the following to be the principal risks existing in its business, and below are listed steps taken to manage and mitigate these risks. If any of these risks occur, ABG business, financial condition and performance might be affected and the trading price and liquidity of its shares might decline. Some of these risks are beyond our control and this list is not comprehensive, as other risks and uncertainties may arise in a changing business environment.

Risk	Description and impact	How we manage and mitigate
Economic and political change	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 is predominantly operating on the Baltic markets, where there is a risk of economic and regulatory uncertainty, as well as high influence from Russian economy. In addition, local laws and regulations are not always fully transparent, can be difficult to interpret and may be applied inconsistently. Ongoing political tension between Russia, EU countries and the US is creating instability since in all the Eastern European region.	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 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	Increases in taxes (excise duty rates) could adversely affect the demand for the Group's products. The demand for the Group's products is extremely sensitive to fluctuations in excise duties, since they 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.	As members of local industry associations, we seek to cooperate with local tax, customs and other public authorities, informing them about unintended consequences of any excise duty increases, such as growth of illegal alcohol and potential harm to consumers. The Group engages professional tax advisors and undertakes regular audits of its tax processes, documentation and compliance. Our aim is to operate the business in a tax efficient manner.

Risk	Description and impact	How we manage and mitigate
Consumer preferences	Any shifts in consumer preferences may adversely affect the demand for the Group's products and undermine the Group's competitive position.	The Group conducts extensive consumer researches and has a track record of successful new product development; therefore, the Group can respond to changing consumer needs. We have developed a range of lower alcohol products and are confident that we have the required expertise to further develop products in line with consumer needs. Our portfolio also covers almost all strong and light spirit drink categories that allows us to manage any portfolio risks in the future.
Marketplace and competition	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 the loss of the market share. Changes in the Group's distribution channels may also have an adverse effect on the Group's 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 28% of ABG businesses, while at the same time they are responsible for 50% of retail market. Via broad distribution network we have been able to limit key retailer impact to our current and future business.

Risk	Description and impact	How we manage and mitigate
Talent	The Group's success depends on the skills of key personnel and its ability to retain such personnel	As member of local professional associations, we are up to date on labour latest trends in markets. The Group pursues a remuneration policy aiming to retain, motivate and attract key personnel. Every second year we are participating in Hay Group remuneration surveys to receive remuneration comparative data for each market separately. As a matter of routine, we review team performance and individual performance which is granted by bonuses follow successful fulfilment of KPI's. Every second year there is Potential planning process which ensures that high performers (talents) are analysed, recognised and succession planning process are in place. We also carry out employee engagement and satisfaction study – Amber Climate. Latest Climate study was conducted at the beginning of 2017 and it showed that the strongest advantages of ABG companies from an employee point of view are the approachable management, overall team spirit and the employer's image. Compared to the previous study in November 2015, respondents are more satisfied with their managers, teams and work environment – new offices and stores. Salary and bonus system was marked as good. Overall employee participation was 80% from all Group employees, which is very high participation rate. The Group invests in training for all levels of employees, in team spirit strengthening and in clever recruitment to ensure that the best talents are approached, and employee turnover is low as possible.

Risk	Description and impact	How we manage and mitigate
Supply of raw materials and resources	Any changes in prices or the availability of supplies and raw materials could have a material 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. Also focus is on uninterrupted deliveries for raw and packaging materials with keeping possible stock level as low as possible.	During 2017, 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 maintains overview and compares market prices of raw materials and services, to be competitive and manage pricing fluctuations.
Funding and liquidity	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.	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 we shall have access to any required funding also in the future.

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 2018 by:

Seymour Paul Ferreira
Chairman of the Board

Consolidated Statement of Comprehensive Income

	Notes	2017 EUR 000	2016 EUR 000
Revenue	6	313 455	256 537
Cost of goods sold	14.1	(257 960)	(209 929)
Gross profit		**55 495**	**46 608**
Selling expense	14.2	(36 642)	(29 324)
General and administation expense	14.3	(15 594)	(10 841)
Other operational income		13 113	9 867
Other operational expense		(1 977)	(924)
M&A related costs		(559)	(445)
Operating profit	14	**13 836**	**14 941**
Finance income	12	1 558	2 040
Finance costs	12	(2 252)	(1 332)
Profit before tax		**13 142**	**15 649**
Corporate income tax	16	434	(3 071)
Profit for the period		**13 576**	**12 578**
Attributable to:			
Equity holders of the parent		12 549	11 294
Non-controlling interest		1 027	1 284
		13 576	**12 578**
Other comprehensive income		(2 109)	(369)
Total comprehensive income for period		**11 467**	**12 209**
Attributable to:			
Equity holders of the parent		10 440	10 925
Non-controlling interest		1 027	1 284
		11 467	**12 209**

These financial statements on pages 39 to 89 were approved by the Board of Managers on 29 May 2018 and signed on its behalf by:

Seymour Paul Ferreira
Chairman of the Board

Consolidated Statement of Financial Position

ASSETS

	Notes	31.12.2017 EUR 000	31.12.2016 EUR 000	31.12.2015 EUR 000
Non-current assets				
Intangible assets	17	51 065	39 449	32 736
Property, plant and equipment	19	51 784	34 729	29 947
Investment properties		664	684	703
Loans to related parties	28.2	27 728	39 403	38 326
Other non-current financial assets		2 948	854	1 131
Non-current financial investments		22	25	165
Deferred tax asset	16	28	1 668	3 198
TOTAL NON-CURRENT ASSETS		**134 239**	**116 812**	**106 206**
Current assets				
Inventories	20	57 281	46 512	41 916
Trade and other receivables	21	84 240	62 010	58 206
Loans to related parties	28.2	53	2	29
Corporate income tax		431	786	2 271
Cash and cash equivalents	29	4 166	4 360	903
TOTAL CURRENT ASSETS		**146 171**	**113 670**	**103 325**
TOTAL ASSETS		**280 410**	**230 482**	**209 531**

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Seymour Paul Ferreira
Chairman of the Board

Consolidated Statement of Financial Position (continued)

EQUITY AND LIABILITIES

	Notes	31.12.2017 EUR 000	31.12.2016 EUR 000	31.12.2015 EUR 000
Capital and Reserves				
Share capital	26.1	13	104 537	104 537
Share premium	26.1	132 553	-	-
Other reserves		(707)	(364)	-
Pooling reserve	26.2	(21 783)	-	-
Revaluation reserve of derivatives		(49)	(114)	(109)
Retained earnings		11 678	10 214	(2 580)
Profit for the period		12 549	11 294	13 585
TOTAL attributable to majority shareholders		**134 254**	**125 567**	**115 433**
Non-controling interest	26.3	4 575	9 617	7 927
TOTAL EQUITY		**138 829**	**135 184**	**123 360**
Liabilities				
Non-current liabilities				
Interest bearing loans and borrowings	22	25 709	17 155	17 928
Finance lease liabilities	23	913	793	1 045
Trade and other payables		-	-	3
Deferred tax liability	16	-	3 689	1 772
Derivatives		49	134	128
TOTAL NON-CURRENT LIABILITIES		**26 671**	**21 771**	**20 876**
Current liabilities				
Interest bearing loans and borrowings	22	27 269	23 641	22 956
Finance lease liabilities	23	557	586	566
Trade and other payables	25	59 993	29 187	24 595
Taxes payable	24	27 091	20 113	17 178
TOTAL CURRENT LIABILITIES		**114 910**	**73 527**	**65 295**
TOTAL LIBILITIES		**141 581**	**95 298**	**86 171**
TOTAL EQUITY AND LIABILITIES		**280 410**	**230 482**	**209 531**

These financial statements on pages 39 to 89 were approved by the Board of Managers on 29 May 2018 and signed on its behalf by:

Seymour Paul Ferreira
Chairman of the Board

Consolidated Statement of Changes in Equity

	Attributable to the equity holders of the Parent Company									
	Share capital EUR 000	Share Premium EUR 000	Foreign exchange revaluation reserve EUR 000	Pooling reserve EUR 000	Derivatives revaluation reserve EUR 000	Retained earnings/ Accumulated loss EUR 000	Current period result EUR 000	**Total** EUR 000	Non-controling interest EUR 000	**Total equity** EUR 000
31 December 2015	**104 537**	**-**	**-**	**-**	**(109)**	**(2 580)**	**13 585**	**115 433**	**7 927**	**123 360**
Transfer of prior period result	-	-	-	-	-	13 585	(13 585)	**-**	-	**-**
Profit for the period	-	-	-	-	-	-	11 294	**11 294**	1 284	**12 578**
Other comprehensive income	-	-	(364)	-	(5)	-	-	**(369)**	-	**(369)**
Total comprehensive income	**-**	**-**	**(364)**	**-**	**(5)**	**-**	**11 294**	**10 925**	**1 284**	**12 209**
Reclassification of reserve due to liquidation of subsidiaries	-	-	-	-	-	(791)	-	**(791)**	791	**-**
Acquisition of non-controlling interests	-	-	-	-	-	-	-	**-**	(385)	**(385)**
Establishment of reserve	-	-	-	-	-	-	-	**-**	-	**-**
31 December 2016	**104 537**	**-**	**(364)**	**-**	**(114)**	**10 214**	**11 294**	**125 567**	**9 617**	**135 184**
Transfer of prior period result	-	-	-	-	-	11 294	(11 294)	**-**	-	**-**
Dividend payment	-	-	-	-	-	(4 000)	-	**(4 000)**	-	**(4 000)**
Issue of share capital	13	132 553	-	-	-	-	-	**132 566**	-	**132 566**
Profit for the period	-	-	-	-	-	-	12 549	**12 549**	1 027	**13 576**
Other comprehensive income	-	-	(343)	-	64	(1 830)	-	**(2 109)**	-	**(2 109)**
Total comprehensive income	**-**	**-**	**(343)**	**-**	**64**	**(1 830)**	**12 549**	**10 440**	**1 027**	**11 467**
Reclassification of reserve due to reorganisation of the Group	(104 537)	-	-	-	-	(4 000)	-	**(108 537)**	-	**(108 537)**
Acquired due to reorganisation of the Group	-	-	-	(21 783)	-	-	-	**(21 783)**	(6 069)	**(27 852)**
31 December 2017	**13**	**132 553**	**(707)**	**(21 783)**	**(49)**	**11 678**	**12 549**	**134 254**	**4 575**	**138 829**

Consolidated Statement of Cash Flows

	Notes	2017 EUR 000	2016 EUR 000
Cash flow from operating activities			
Profit for the period before taxation		13 142	15 649
Adjustments for:			
Depreciation and amortisation charge	17, 19	4 776	3 702
Net gain on sales and disposal of fixed assets and intangibles		(26)	(303)
Interest income	12	(1 558)	(1 529)
Interest expense	12	2 015	1 294
		18 349	**18 813**
Working capital changes:			
(Increase)/ decrease in inventories		(2 049)	381
(Increase) in trade and other receivables		(9 850)	(239)
Increase in trade and other payables		7 985	7 154
Cash generated from operations		**14 435**	**26 109**
Corporate income tax paid		(726)	(718)
Interest received		-	389
Net cash generated by operating activities		**13 709**	**25 780**
Cash flows used in investing activities			
Payments to acquire property, plant and equipment		(3 139)	(2 777)
Payments to acquire intangible assets		(2 964)	(1 087)
Proceeds from disposal of property, plant and equipment		148	645
Payment for acquisition of subsidiary, net of cash acquired	10.1, 10.2	(5 387)	(16 714)
Net cash used in investing activities		**(11 342)**	**(19 933)**
Cash flows used in financing activities			
Proceeds from issue of share capital	26.1	13	-
Interest paid		(2 015)	(1 294)
Change in overdraft		1 526	(6 494)
Borrowings received	8	12 040	12 013
Borrowings from related party received		5 351	-
Repayment of borrowings	8	(18 728)	(5 609)
Finance lease payments	8	(748)	(845)
Change in factoring		-	(161)
Net cash generated from/ used in financing activities		**(2 561)**	**(2 390)**
Net change in cash and cash equivalents		**(194)**	**3 457**
Cash and cash equivalents at the beginnging of the period		4 360	903
Cash and cash equivalents at the end of the period	**29**	**4 166**	**4 360**

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 2018.

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.

As of 31 December 2017 Amber Beverage Group (further on – the Group or ABG) consists of following companies – 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 S.à r.l. (Luxembourg), Fabrica de Tequilas Finos S.A. de C.V. (FTF) (Mexico), Interbaltija AG AS (Latvia) – acquired in 2017, Amber Beverage Group UK Limited (the UK) – established in 2017, Cellar Trends Holding Ltd (the UK) – acquired in 2017, Cellar Trends Ltd (the UK), ADL IP SIA (Latvia), Tamboskoye spirtovoye predpriyatiye “Talvis” OA (Russia) – acquired in 2017.

The Parent Company, together with its subsidiaries (the Group), is involved in the 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 under the historical cost convention. These consolidated financial statements for the period are the third financial statements of the Group that has been prepared in accordance with IFRS.

The comparative information in these consolidated financial statements include consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and respective notes for a group of companies under Amber Beverage Group SIA as establishment of the Amber Beverage Group Holding S.à r.l. has been treated as matter of reorganisation (see also section Group reorganisation in 2017 below).

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.

To maintain comparability of financial information presented, several income and expense positions in the consolidated statement of comprehensive income for 2016 has been reclassified.

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 2017 as well as comparative financial information for 2016 and 2015 (Consolidated statement of financial position only).

2. Basis of Preparation (continued)

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 most 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.

Business combinations

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 exceptional items.

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.

2. Basis of Preparation (continued)

Business combinations (continued)

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

Purchases 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 interest's 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.

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 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 completing the initial accounting within twelve months of the acquisition date.

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.

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 2017 to 31 December 2017.

3. Changes in IFRS Standards and Interpretations

The following new and amended IFRS and interpretations became effective in 2017, but have no significant impact on the operations of the Group and these financial statements:

Amendments to IAS 12 Income taxes – recognition of Deferred Tax Assets for Unrealised Losses (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).

Amendments to IAS 7 Statement of Cash Flows – Disclosure initiative (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017).

Amendments to IFRS 12 included in Annual improvements to IFRSs 2014-2016 Cycle (issued on 8 December 2016 and effective for annual periods on or after 1 January 2017).

Certain new standards and interpretations have been published that become effective for the accounting periods beginning on 1 January 2018 or later periods or are not yet endorsed by the EU:

IFRS 9 Financial instruments (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stages' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

3. Changes in IFRS Standards and Interpretations (continued)

The Group assessed the estimated impact that the initial application of IFRS 9 will have on its financial statements and no material impact was identified.

The actual impact of adopting IFRS 9 at 1 January 2018 may change because the Group have not finalised the assessment of new accounting policies and controls, therefore the assessment can be subject to changes until the Group presents its first full financial statements that include the date of initial application.

For financial instruments, no changes in the measurement principles are expected.

IFRS 9 will require extensive new disclosures, about credit risk and expected credit losses. The Group is in the process of assessment of changes that it believes will be necessary to capture the required data. The Group chose the option of not restating the comparative information for prior periods. Differences in the carrying amounts of financial assets resulting from adoption of IFRS 9 will be recognised in retained earnings and reserves as at 1 January 2018.

IFRS 15 Revenue from Contracts with Customers (issued on 28 May 2014 and effective for annual periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers must be capitalised and amortised over the period when the benefits of the contract are consumed. The new standard is not expected to have a material impact on the Group's consolidated financial statements as the accounting principles for the absolute majority of Group's revenues are the same under the new IFRS 15 regulations, however the assessment of impact is still ongoing.

Amendments to IFRS 10 Consolidated Financial Statements, IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date to be determined by the IASB, not yet endorsed in the EU).

IFRS 16 Leases (issued in January 2016 and 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 to use an 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 recognise: (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 statement of comprehensive income. 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 management has assessed the impact of new standard and concluded that for operating lease contracts an asset and lease liability will be recognised upon implementation of the standard.

Amendments to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)

IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU).

IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019, not yet endorsed in the EU).

3. Changes in IFRS Standards and Interpretations (continued)

Annual improvements to IFRS's 2017 (effective for annual periods beginning on or after 1 January 2019, not yet endorsed in the EU). The amendments include changes that affect 4 standards:

- IFRS 3 - Business Combinations
- IFRS 11 - Joint Arrangements
- IAS 12 - Income Taxes
- IAS 23 - Borrowing costs.

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. Significant 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 recognition

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 or other sales taxes. Revenue is recognized to the extent that it is probable that future economic benefits will flow to the Group and these can be measured reliably.

Revenue is recognized as follows:

(a) Sales of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

In case the Group acts as the intermediate (Production division), the revenue does not include excise tax, however in case the excise tax is conceptual part of the final sales price (for Wholesale and Retail divisions), excise tax is included in net revenue.

(b) Income from rendering of services

Revenue from rendering of services are recognized when the service has been provided.

(c) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities.

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in statement of comprehensive income except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes with the following exceptions:

- where the temporary differences arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

4. Significant Accounting Policies (continued)

Income tax (continued)

- In respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

At the date of reorganization of the Group in 2014 the fair value adjustment that arose in respect to property, plant and equipment owned by the Group, was recognized at the consolidated level. As the fair value adjustment is temporary difference, the deferred tax liability was recognized at the Group level. Respective deferred tax liability expenses were recognized in the pooling reserve within the Equity.

On July 28, 2017, a new Corporate Income Tax Law in Latvia was adopted, which stipulates that from January 1, 2018, the corporate income tax is levied on profit that arose after 2017 if it is distributed. The new tax law does not include rules which result into timing differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Transitional provisions of the law provide that taxpayers will be able to utilize the unused tax losses accumulated by 31 December 2017 during next 5 taxation years for reducing the tax payable on distributed profits by no more than 50% each year, as well as to use provisions created by 31 December 2017 that resulted in the increase of taxable income during the respective tax periods, for reduction of taxable profits, in the amount of their reduction. Such amounts, if any, do not give rise to deferred income tax assets as at 31 December 2017 and thereafter, as in the situation where there is a different tax rate on distributed profit and retained earnings, the deferred tax is calculated according to the tax rate applicable to retained earnings, i.e. 0%. Given the circumstances, there is no longer any reason for the existence of a deferred tax asset or liability at 31 December 2017, and the deferred tax liability recognized by the Group companies under Latvian jurisdiction as at 31 December 2016 was reduced to zero, including a reduction in that liability in the statement of comprehensive income for the year 2017, except for the deferred tax recognized outside the profit or loss as the amount of this tax is allocated to the same item in shareholders' equity against which it was attributed when recognized.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment 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

4. Significant Accounting Policies (continued)

Property, plant and equipment (continued)

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

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the consolidated statement of comprehensive income within “Other operating income” or “Other operating expense” respectively.

Intangible assets

(a) Goodwill
Goodwill on acquisition of subsidiaries is included in intangible assets. Separately recognized 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
Trademarks are recognized 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. They are capitalized based on invoices and amortized over a period of three years by using straight-line method.

(c) Computer software
Internal as well as external costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Acquired computer software licences are capitalized 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 four years.

Investment properties

Real estate properties (land, buildings) that the Group holds for the purpose of earning rental income or for capital appreciation and that are not used in it its operating activities are recorded as investment property.

An item of investment property is initially recognised in the balance sheet at cost, including any directly attributable expenditure.

It is subsequently measured at its cost less accumulated depreciation and accumulated impairment losses. 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 profit or loss on a straight-line basis over the estimated useful lives of each part of an item of investment property, since this most closely reflects the

4. Significant Accounting Policies (continued)

Investment properties (continued)

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

Land held as investment property is not depreciated.

Impairment of non-financial assets

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

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.

Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially 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 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.

Financial assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Such assets are

4. Significant Accounting Policies (continued)

Classification (continued)

recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. The Group's loans and receivables comprise "Issued loans", "Trade and other receivables" and "Cash and cash equivalents" in the consolidated statement of financial position.

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

A provision for impairment of financial assets measured at amortised cost is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is recognised in the statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal is recognised in the statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a borrowing for the proceeds received.

Issued loans

Issued loans are recognized initially at fair value and subsequently at amortized cost using the effective interest method, less provision for impairment. 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

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 made where there is evidence of a risk of non-payment taking into account ageing, previous experience and general economic conditions

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.

4. Significant Accounting Policies (continued)

Inventories (continued)

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.

Cash and cash equivalents

Cash and cash equivalents includes 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.

Derivative financial instruments

Derivatives are initially recognized 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 recognized in equity item "Derivatives revaluation reserve". The gain or loss relating to the ineffective portion is recognized 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 recognized in the statement of comprehensive income within "Finance costs". The gain or loss relating to the ineffective portion is recognized 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 is classified as share premium.

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.

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.

4. Significant Accounting Policies (continued)

Borrowings (continued)

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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. 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. In case of breach of covenants, the related borrowings are classified as current although their contractual maturity may exceed 12 months from the reporting date.

Related parties

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.

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 legislation requirements.

5. Critical Accounting Estimates and Judgments

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 periodd of the revision and future periods, if the revision affects both current and future periods.

(a) Impairment of goodwill

The Group's impairment test for goodwill is based on a value in use calculation using a discounted cash flow model. The cash flows are derived from the Group's five-year plans. 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 18. The Group tests annually whether goodwill has suffered any impairment.

(b) Provisions for bad debts and inventory obsolescence

Provisions are made with reference to the ageing of receivable and inventory balances and the view of management as to whether amounts are recoverable. Bad debt provisions are determined with consideration to recent customer trading and management experience, and provision for inventory obsolescence to latest sales forecasts.

6. Revenue

	2017 EUR 000	2016 EUR 000
Sale of goods	243 067	203 583
Revenue from production services	64 900	47 397
Production maintenance and other services	-	664
Services of excise tax warehouse	3 058	2 253
Sale of other goods and materials	2 430	2 640
Total	**313 455**	**256 537**

For the Wholesale and Retail division, the excise tax is included in the price of the production to end customer. Had the excise tax been accounted separately, the revenue for the period would decrease by EUR 100 396 thousand (2016: EUR 82 028 thousand).

External revenue by geographical segments:

	2017 EUR 000	2016 EUR 000
Baltics	213 518	198 979
European Union, except Baltics	84 503	45 348
Other Countries	15 435	12 210
Total	**313 456**	**256 537**

7. Divisional Analysis

In identifying its divisions, management follows the Group's business specific. The Group is considered to have three reportable divisions: Production, Wholesale and Retail, Management and Support activities.

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

7. Divisional Analysis (continued)

Year ended 31 December 2017

Revenue	Production	Wholesale and retail	Manage-ment and support activities	Total segments	Adjustments and eliminations	Consolidated
External customers	68 317	245 138	-	313 455	-	313 455
Inter-divisional	27 269	3 051	(5 698)	24 622	(24 622)	-
Total revenue	**95 586**	**248 189**	**(5 698)**	**338 077**	**(24 622)**	**313 455**
Expenses/ (income)						
Depreciation and amortisation	2 809	1 670	297	4 776	-	4 776
Division profit	**6 404**	**9 313**	**4 657**	**20 374**	**-**	**20 374**
Total assets	**109 803**	**120 857**	**18 540**	**249 200**	**31 210**	**280 410**
Total liabilities	**(31 300)**	**(54 118)**	**(3 136)**	**(88 554)**	**(53 027)**	**(141 581)**
Other disclosures						
Capital expenditure	5 711	951	1 974	**8 636**	-	**8 636**

Year ended 31 December 2016

Revenue	Production	Wholesale and retail	Management and support activities	Total segments	Adjustments and eliminations	Consolidated
External customers	57 868	198 669	-	256 537	-	256 537
Inter-divisional	23 763	6 821	4 418	35 002	(35 002)	-
Total revenue	**81 631**	**205 490**	**4 418**	**291 539**	**(35 002)**	**256 537**
Expenses/ (income)						
Depreciation and amortisation	2 659	917	126	3 702	-	3 702
Extraordinary items	-	-	-	-	-	-
Division profit	**7 878**	**6 299**	**5 305**	**19 482**	**-**	**19 482**
Total assets	**88 416**	**82 519**	**16 809**	**187 744**	**42 738**	**230 482**
Total liabilities	**(33 667)**	**(16 140)**	**(873)**	**(50 680)**	**(44 618)**	**(95 298)**
Other disclosures						
Capital expenditure	3 785	1 338	290	**5 413**	-	**5 413**

7. Divisional Analysis (continued)

Reconciliation of profit	2017 EUR 000	2016 EUR 000
Division profit	**20 374**	**19 482**
Finance income	1 558	2 040
Finance costs	(2 252)	(1 332)
Inter-segment sales (elimination)	(6 538)	(4 541)
Profit before tax	**13 142**	**15 649**

Reconciliation of assets	31.12.2017 EUR 000	31.12.2016 EUR 000
Division operting assets	**249 200**	**187 744**
Deferred tax assets	28	1 668
Current tax receivable	431	786
Loans to related parties	27 781	39 405
Other non-current assets	2 948	854
Non-current financial investments	22	25
Total assets	**280 410**	**230 482**

Reconciliation of liabilities	31.12.2017 EUR 000	31.12.2016 EUR 000
Division operating liabilities	**(88 554)**	**(50 680)**
Deferred tax liabilities	-	(3 689)
Interest-bearing loans and borrowings	(52 978)	(40 795)
Derivatives	(49)	(134)
Total liabilities	**(141 581)**	**(95 298)**

8. Capital Management

The Group's management manages the capital structure on going concern 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 net debt to equity (gearing ratio). During the reporting the gearing ratio is 26% (31.12.2016: 30%; 31.12.2015: 36%) and ratio equity to total assets is 47% (31.12.2016: 54%; 31.12.2015: 55%).

Net debt calculation is presented as following:

	31.12.2017 EUR 000	31.12.2016 EUR 000	31.12.2015 EUR 000
Cash and cash equivalents	4 166	4 360	903
Interest bearing loans and borrowings - repayable after one year	(9 304)	(17 124)	(17 928)
Interest bearing loans and borrowings - repayable within one year	(26 587)	(23 611)	(22 956)
Financial leases - repayable within after one year	(913)	(793)	(1 045)
Financial leases - repayable within one year	(557)	(586)	(566)
Total net debt	**(33 195)**	**(37 754)**	**(41 592)**

	Cash and cash equivalents EUR 000	Finance lease due after 1 year EUR 000	Finance lease 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 2016	4 360	(793)	(586)	(17 124)	(23 611)	(37 754)
Cash flows	(194)	-	(748)	-	(18 728)	(19 670)
New leases and borrowings	-	838	-	1 040	11 000	12 878
Other non-cash movement	-	(958)	777	6 780	4 752	11 351
Net debt as at 31 December 2017	**4 166**	**(913)**	**(557)**	**(9 304)**	**(26 587)**	**(33 195)**

9. Group information

ABG was formed in 2014 after reorganization of Baltic Business Unit of SPI Group. From 2014 till 2017 the Parent Company and the holding company of the ABG was Amber Beverage Group SIA.

In 2017 the next phase of reorganization was started, that resulted in incorporation of Amber Beverage Group S.à r.l. and transferring the holding functions to the new establishment. In consolidated financial statements this reorganization is accounted under transition under common control.

Name	Principal activities	Country of incorporation/ operations	% Equity interest 2017	% Equity interest 2016
Latvijas Balzams AS	Production of alcohol beverages	Latvia	89.99%	89.99%
Amber Distribution Latvia SIA	Distribution	Latvia	100%	100%
Amber Distribution Estonia OU	Distribution	Estonia	100%	100%
Bennet Distributions UAB	Distribution	Lithuania	100%	100%
Bravo SIA	Retail sales	Latvia	100%	100%
Amber IP Brands S.à r.l.	IP management	Luxemburg	100%	100%
Fabrica de Tequilas Finos, S.A. De C.V. [1]	Production of alcohol beverages	Mexico	100%	100%
Interbaltija AG AS [2]	Distribution	Latvia	100%	-
Amber Beverage Group SIA [3]	Management services/ holding activities	Latvia	100%	-
Amber Beverage Group UK Limited [4]	Holding activities	the UK	100%	-
Cellar Trends Holding Limited [5]	Holding activities	the UK	40%	-
Cellar Trends Limited [6]	Distribution	the UK	40%	-
Tambovskoye spirtovoye predpiyatyie Talvis AO [7]	Rectification of ethyl alcohol	Russia	72.87%	-
ADL IP SIA [8]	Under liquidation	Latvia	100%	-

Notes:
1 – the tequila producer Fabrica de Tequilas Finos S.A. de C.V. was acquired in September 2016
2 – distributor of alcoholic beverages Interbaltija AG AS was acquired in 12 April 2017
3 – until 29 December 2017 Amber Beverage Group SIA was the holding company of ABG Group
4 – holding company Amber Beverage Group UK Limited was established on 1 March 2017
5 – the 40% of share capital of Cellar Trends Holding Limited was acquired on 12 April 2017
6 – Cellar Trends Limited is 100% owned by Cellar Trends Holding Limited
7 – the control over manufacturer of rectified ethyl alcohol Tambovskoye spirtovoye predpriyatyie Talvis AO was acquired through the reorganization of the Group and on 29 November 2017 and is treated as common control transaction in these consolidated financial statements.
8 – ADL IP SIA was established on 22 December 2016 with a purpose to manage intellectual property owned by the Group. Taking into account the reorganization process started in 2017, the intellectual property management process will be reorganized, therefore on 30 November 2017 the liquidation process of the company was initiated.

10. Business combinations and reorganization

10.1. Acquisitions in 2017

Interbaltija AG AS

On 22 March 2017, the Group acquired 100% of voting shares of Interbaltija AG AS, an unlisted company based in Latvia and specialising in the distribution of wine and alcoholic beverages in Latvia. The Group acquired Interbaltija AG AS in accordance with the Groups strategy on strengthening the position in both on-trade and off-trade distribution segments in Latvia.

The fair values of the identifiable assets and liabilities of Interbaltija AG AS as at the date of acquisition were:

	Fair value, EUR 000
Assets	
Intangible assets (Note 17)	26
Property, plant and equipment (Note 19)	25
Inventories	1 719
Trade receivables and other receivables	1 137
Cash and cash equivalents	82
Liabilities	
Trade payables	(542)
Other AP	(574)
Bank liability	(310)
Total identifiable net assets acquired	**1 563**
Goodwill arising on acquisition (Note 17)	1 637
Purchase consideration	**3 200**

	EUR 000
Cash paid	2 240
Contingent consideration	960
Total purchase consideration	**3 200**

	EUR 000
Net cash acquired on acquisition	82
Cash paid	(2 240)
Net cash flow on acquisition	**(2 158)**

The goodwill of EUR 1 637 thousand comprises the synergies expected from the acquisition. The goodwill is fully recognized entirely to the distribution division. None of the goodwill recognised is expected to be deductible for income tax purposes.

A contingent liability arises towards the previous shareholders of Interbaltija AG AS and depends on company's ability to meet certain financial results by the year 2017. As the probability of the payment is most probable, fair value of contingent liability of EUR 960 thousand is recognized.

10. Business combinations and reorganization (continued)

10.1. Acquisitions in 2017 (continued)

Since the date of acquisition, the Interbaltija AG AS has contributed EUR 6.2 million of revenues and EUR 368 thousand of profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been EUR 7.6 million and profit before tax from continuing operations for the Group would have been EUR 347 thousand.

Cellar Trends Holding Limited

On 12 April 2017, the Group acquired 40% of voting shares of Cellar Trends Holding Ltd, an unlisted company based in the United Kingdom owning 100% of shareholding in Cellar Trends Limited, whose main activity is Building the Brands of alcoholic and non-alcoholic beverages in the UK market. The Group acquired Cellar Trends Holding Limited in accordance with the Groups strategy on strengthening the position in distribution division in the UK. The Group is able to execute the control over operational decisions and dividend payment policy of the company, therefore Cellar Trends Holding Limited and its subsidiary Cellar Trends Limited is fully consolidated in the Group.

At the time of this reporting the business combination is not completed, and provisional values are used in place of fair values. The values of the identifiable assets and liabilities of Cellar Trends group as at the date of acquisition were:

	Fair value, EUR 000
Assets	
Property, plant and equipment (Note 19)	459
Inventories	5 600
Trade receivables and other receivables	9 832
Cash and cash equivalents	979
Liabilities	
Trade payables	(6 812)
Other AP	(2 052)
Total identifiable net assets aquired	**8 006**
Goodwill arising on acquisition (Note 17)	7 709
Purchase consideration	**15 715**

	EUR 000
Cash paid	4 508
Contingent consideration	11 207
Total purchase consideration	**15 715**

Net cash acquired on acquisition	979
Cash paid	(4 508)
Net cash flow on acquisition	**(3 529)**

10. Business combinations and reorganisation (continued)

10.1. Acquisitions in 2017 (continued)

The goodwill of EUR 7 709 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 second and third tranche of Cellar Trends Holding shares.

Since the date of acquisition, Cellar Trends has contributed EUR 31.6 million of revenues and EUR 670 thousand of profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been EUR 39.2 million and profit before tax from continuing operations for the Group would have been EUR 65 thousand.

10.2. Reorganisation in 2017

Tambovskoye spirtovoye predpriatye Talvis AO (Talvis AO)

On 29 November 2017 as part of the reorganisation process of the Group, the Parent Company acquired 72.87% of voting shares and obtained the majority control over Talvis AO. Acquisition is considered to be combination of entities under common control, therefore net assets are recognized at historical cost and no goodwill is recognised. Carrying values of assets acquired and liabilities assumed are presented as following:

	Carrying value, EUR 000
Assets	
Property, plant and equipment (Note 19)	16 776
Other assets acquired	343
Inventories	1 400
Trade receivables and other receivables	1 449
Cash and cash equivalents	383
Liabilities	
Trade payables	(1 411)
Other AP	(600)
Financial liabilities	(46 110)
Total identifiable net assets acquired	**(27 770)**
Non-controlling interest	6 070
Pooling reserve recognized	21 783
Purchase consideration	**83**

	EUR 000
Net cash acquired on acquisition	383
Cash paid	(83)
Net cash flow on acquisition	**300**

As the result of acquisition of Talvis AO, the pooling reserve in amount of EUR 21 783 thousand is created. Non-controlling interest is measured proportionally to acquiree's identifiable net assets.

10.3. Impact on financial results

The operating profit calculation for 2017 and 2016 by dividing the organic growth, i.e., consolidated financial result for the companies being part of the Group at least for two full subsequent reporting periods and Mergers and Acquisitions (further on – M&A) impact arising from consolidated financial result of the acquired businesses can be presented as following:

	2017			2016		
	Organic growth	M&A impact	TOTAL	Organic growth	M&A impact	TOTAL
Revenue	259 516	53 939	313 455	251 190	5 347	256 537
Cost of goods sold	(211 604)	(46 356)	(257 960)	(205 619)	(4 310)	(209 929)
Gross profit	**47 912**	**7 583**	**55 495**	**45 571**	**1 037**	**46 608**
Selling expense	(32 082)	(4 560)	(36 642)	(29 048)	(276)	(29 324)
General and administation expense	(11 319)	(4 275)	(15 594)	(10 376)	(465)	(10 841)
Other operational income	13 282	(169)	13 113	9 867	-	9 867
Other operational expense	(2 168)	191	(1 977)	(956)	32	(924)
M&A related expenses	-	(559)	(559)	-	(445)	(445)
Operating profit	**15 625**	**(1 789)**	**13 836**	**15 058**	**(117)**	**14 941**

In 2016 the M&A impact is represented by financial result of Fabrica de Tequilas Finos (for 4 month). In 2017 the M&A impact comprises the consolidated financial result since the date of gaining control till the year end for Fabrica de Tequilas Finos (for 12 months for comparative purposes), Interbaltija AG (since 22.03.2017), Cellar Trends Ltd (since 12.04.2017) and Talvis AO (since 29.11.2017).

11. Fair value measurement

Management assessed that 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.

The carrying amounts of the Group's financial instruments are considered to be a reasonable approximation of their fair values.

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.

At year ended 31 December 2017

	Level 1	Level 2	Level 3	Total carrying value as at 31.12.2017	Total carrying value as at 31.12.2017
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Liabilities measured at fair value					
Derivative financial instruments	-	49	-	**49**	**49**

At period ended 31 December 2016

	Level 1	Level 2	Level 3	Total carrying value as at 31.12.2016	Fair value as at 31.12.2016
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Liabilities measured at fair value					
Derivative financial instruments	-	134	-	**134**	**134**

At period ended 31 December 2015

	Level 1	Level 2	Level 3	Total carrying value as at 31.12.2015	Fair value as at 31.12.2015
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Liabilities measured at fair value					
Derivative financial instruments	-	128	-	**128**	**128**

All other 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.

12. Finance income and costs

	2017 EUR 000	2016 EUR 000
Finance income:		
Interest income	1 558	1 529
Foreign exchange gain, net	-	511
Total finance income	**1 558**	**2 040**
Finance expense:		
Interest expense	(2 015)	(1 294)
Foreign exchange loss, net	(151)	(6)
Other financial expense	(86)	(32)
Total finance expense	**(2 252)**	**(1 332)**
Net finance income/ (expense)	**(694)**	**708**

13. Staff costs

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

	2017 EUR 000	2016 EUR 000
Wages and salaries	22 477	17 869
Social security contributions	5 007	4 482
Total	**27 484**	**22 351**

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

	2017	2016
Production	569	408
Wholesale & Retails	441	417
Other	651	571
Total	**1 661**	**1 396**

14. Operating profit

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

	2017 EUR 000	2016 EUR 000
Net revenue	313 455	256 537
Cost of inventories	(244 099)	(198 341)
Advertising, marketing and promotional costs	(12 598)	(9 710)
Logistic costs	(9 236)	(6 846)
Staff costs	(27 484)	(22 351)
Indirect costs of production	(13 981)	(10 067)
Marketing income	7 535	7 000
Other operating income	5 578	2 866
Depreciation and amortisation - cost of goods sold	(1 058)	(945)
Depreciation and amortisation - selling costs	(1 144)	(900)
Depreciation and amortisation - administration costs	(2 574)	(1 857)
Total depreciation and administration	(4 776)	(3 702)
M&A related costs	(559)	(445)
Operating profit	**13 836**	**14 941**

The EBITDA ratio (Earnings before interest, tax, depreciation and amortization costs) is calculated as following:

	2017 EUR 000	2016 EUR 000
Operating profit	13 836	14 941
Add-back for:		
Depreciation and amortisation	4 776	3 702
EBITDA	**18 613**	**18 643**

14.1. Costs of Goods Sold

	2017 EUR 000	2016 EUR 000
Cost of materials	244 099	198 341
Salaries and related tax expense	7 211	5 551
Depreciation and amortisation	1 058	945
Utility expense	1 002	791
Nature resource tax	1 569	1 065
Maintenance costs	724	842
Change in accruals	260	163
Real estate tax	216	248
Insurance costs	57	59
Laboratory expense	42	31
Other production costs	1 722	1 893
Total	**257 960**	**209 929**

Change in costs of goods sold have been impacted by the expansion of the Group via business combinations and reorganization. Organic growth of Costs of Goods Sold in 2017 is 3% versus 2016, with the impact of Mergers & Acquisitions of EUR 46 356 thousand (2016: EUR 4 310 thousand). See also Note 10.3.

14.2. Selling expense

	2017 EUR 000	2016 EUR 000
Advertising	13 156	9 998
Salaries and related taxes	13 106	10 434
Transportation	3 027	2 951
Rent and maintenance of premises	2 510	1 877
Depreciation and amortisation	1 144	900
Maintenance of cars	430	376
Packaging materials	197	231
Change in accruals	200	85
Other distribution costs	2 872	2 472
Total	**36 642**	**29 324**

Change in selling expense have been impacted by the expansion of the Group via business combinations and reorganisation. Organic growth of Selling expense in 2017 is 10% versus 2016, with the impact of Mergers & Acquisitions of EUR 4 560 thousand (2016: EUR 276 thousand). See also Note 10.3

14.3. General and administration expense

	2017 EUR 000	2016 EUR 000
Salaries and related expenses	6 899	5 315
Depreciation and amortisation	2 574	1 857
IT maintenance	1 054	803
Change in accruals	849	496
Professional service expense	666	148
Office expense	509	324
Business Trips	554	446
Transport	427	186
Communication	322	326
Represenation	179	202
Bank commissions	120	187
Training expense	81	41
Financial assistance and sponsorship	11	4
Other administration	1 349	506
Total	**15 594**	**10 841**

Change in costs of goods sold have been impacted by the expansion of the Group via business combinations and reorganisation. Organic growth of General and administration expense in 2017 is 9% versus 2016, with the impact of Mergers & Acquisitions of EUR 4 275 thousand (2016: EUR 465 thousand). See also Note 10.3

15. 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:

	2017 EUR 000	2016 EUR 000
Fees paid for audit and audit related services	133	92
Fees paid for other consulting services	-	4
Total	**133**	**96**

16. Corporate income tax

a) Components of corporate income tax

	2017 EUR 000	2016 EUR 000
Current tax expense	2 940	773
Change in deferred tax	(3 374)	2 298
Tax credit/ (charge)	**(434)**	**3 071**

b) Reconciliation of accounting profit to income tax charges

	2017 EUR 000	2016 EUR 000
Profit before tax	13 142	15 649
Income tax credit calculated at 15%	*1 971*	*2 347*
Adjusting for:		
Permanent differences	739	724
Write-off of deferred tax due to change in legislation	(3 144)	-
Income tax credit/ expense recognized in income statement	**(434)**	**3 071**

Income tax is calculated at 15% as this represents the tax rate applicable for the key jurisdictions of profit generation.

16. Corporate income tax (continued)

c) Movements in components of deferred tax

Year ended 31 December 2017

	31.12.2016	Acquired through reorgani-sation of the Group	Charged to income statement	Charged to OCI	31.12.2017
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
Temporary differences					
Property, plant and equipment	4 395	205	(3 660)	-	940
Tax loss carried forwards	(1 838)	(5 050)	-	1 838	(5 050)
Other provisions and accruals	(518)	(36)	260	-	(294)
Derivatives	(18)	-	26	(8)	(0)
Allowance for deferred tax asset	-	4 376	-	-	4 376
	2 021	**(505)**	**(3 374)**	**1 830**	**(28)**
Deferred tax asset	(1 668)				(28)
Deferred tax liabilities	3 689				-
	2 021				**(28)**

Year ended 31 December 2016

	31.12.2015	Charged to income statement	Charged to OCI	31.12.2016
	EUR 000	EUR 000	EUR 000	EUR 000
Temporary differences				
Property, plant and equipment	2 872	1 522	-	4 395
Tax loss carried forwards	(3 544)	1 706	-	(1 838)
Other provisions and accruals	(736)	(930)	-	(518)
Derivatives	(18)	-	5	(18)
	(1 426)	**2 298**	**5**	**2 021**
Deferred tax asset	(3 198)			(1 668)
Deferred tax liabilities	1 772			3 689
	(1 426)			**2 021**

17. Intangible assets

	Goodwill	Brands	Concessions, licences and other intangible assets	Advances for intangible assets	TOTAL
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
As at 31.12.2015					
Cost value	16 610	14 778	2 129	34	**33 551**
Accumulated amortisation	-	-	(815)	-	**(815)**
Net book value	**16 610**	**14 778**	**1 314**	**34**	**32 736**
2016					
Additions	6 008	89	1 004	78	**7 179**
Disposals	-	(10)	(34)	(34)	**(78)**
Accumulated amortisation of disposed assets	-	-	29	-	**29**
Amortisation	-	-	(417)	-	**(417)**
Total	**6 008**	**79**	**582**	**44**	**6 713**
As at 31.12.2016					
Cost value	22 618	14 857	3 099	78	**40 652**
Accumulated amortisation	-	-	(1 203)	-	**(1 203)**
Net book value	**22 618**	**14 857**	**1 896**	**78**	**39 449**
2017					
Additions	-	2 308	624	32	**2 964**
Disposals	-	(30)	(97)	(10)	**(137)**
Accumulated amortisation of disposed assets	-	1	102	-	**103**
Acquired through business combination	9 346	-	26	-	**9 372**
Amortisation	-	(81)	(605)	-	**(686)**
Total	9 346	2 198	50	22	11 616
As at 31.12.2017					
Cost value	31 964	17 135	3 652	100	**52 851**
Accumulated amortisation	-	(80)	(1 706)	-	**(1 786)**
Net book value	**31 964**	**17 055**	**1 946**	**100**	**51 065**

17. Intangible assets (continued)

In 2014 SPI Group was reorganised into Amber Beverage Group (see Note 26.2). As reorganisation was performed by pooling of interest method, the value of allocated goodwill corresponds to goodwill previously accounted for at SPI Group level.

In 2015 the Group acquired Moskovskaya® brand from related party within the SPI Group. Brand is not amortised, as it is considered that its useful economic life is not limited. An annual impairment assessment is carried out to ensure carrying value is recoverable.

In 2017 the Group acquired KAH® brand from external party as well as several other brands from SPI Group. It is considered, that due to recent acquisition the recoverable value of the brands approximates their net book value.

18. Impairment of goodwill and intangibles with indefinite useful life

Goodwill arising through business combinations and brand have been allocated for impairment testing purposes to 4 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 brand are monitored for internal management purposes.

Cash generating units

The Group has identified the cash generating units, used in the impairment review of intangible assets with indefinite lives, to be Production – grain, Production - agave, Distribution and Amber IP (Moskovskaya® brand) units.

Impairment review

Under IAS 36 Impairment of Assets the Group is required to complete a full impairment review of intangible assets using highest of 'Fair value less cost to sell' or 'value-in-use (VIU)'. As it is not possible to sufficiently accurate determine 'fair value and costs to sell' of CGU, VIU is used in order to determine recoverable amount. Value-in-use (VIU) calculation based on DCF (discounted cash flow) models. During the periods ended 31 December 2017, 31 December 2016 and 31 December 2015 the goodwill and brands in the Production – grain, Production - agave, Distribution and Amber IP units were subject to impairment review.

31.12.2017	Production unit - grain EUR 000	Production unit - agave EUR 000	Distribution unit EUR 000	Amber IP EUR 000	**Total EUR 000**
Value in use	175 709	10 833	133 930	23 916	**344 388**
less:					
Carrying amount of brand	-	-	-	14 778	**14 778**
Carrying amount of goodwill	5 935	6 008	20 021	-	**31 964**
Carrying amount of net assets	104 727	4 733	22 348	-	**131 808**
Value in use headroom	65 047	92	91 561	9 139	**165 838**

18. Impairment of goodwill and intangibles with indefinite useful life (continued)

31.12.2016	Production unit - grain EUR 000	Production unit - agave EUR 000	Distribution unit EUR 000	Amber IP EUR 000	**Total EUR 000**
Value in use	122 663	14 287	62 571	15 586	**215 107**
less:					
Carrying amount of brand	-	-	-	14 778	**14 778**
Carrying amount of goodwill	5 935	6 008	10 675	-	**22 618**
Carrying amount of net assets	96 041	8 003	-	-	**104 044**
Value in use headroom	20 687	276	51 896	808	**73 667**

31.12.2015	Production unit - grain EUR 000	Distribution unit EUR 000	Amber IP EUR 000	**Total EUR 000**
Value in use	119 370	59 109	38 820	**217 299**
Less:				
Carrying amount of brand	-	-	14 778	**14 778**
Carrying amount of goodwill	5 935	10 675	-	**16 610**
Carrying amount of net assets	83 230	8 669	-	**91 899**
Value in use headroom	30 205	39 765	24 042	**94 012**

(i) Production unit - grain

The recoverable amount of the Production unit has been determined based on a value-in-use calculation using cash flow projections from the five-year planning process approved by senior management. The pre-tax discount rates applied to cash flow projections are 10.0% (2016: 10.4%; 2015: 10.4%) for LB production unit and 13.4% (2016: 15%) for FTF production unit and cash flows beyond the five-year period are extrapolated using a growth rate of 2.5% (2016: 2.5%; 2015: 2.5%) for LB production unit and 3.5% (2016: 2.5%) for FTF production unit.

The following sensitivity analysis shows the VIU (net of assets) of different pre-tax weighted average cost of capital rates (WACC) and terminal growth rates used in the impairment review models.

Year ended 31 December 2017

WACC Terminal growth rate	9,0% EUR 000	9,5% EUR 000	10,0% EUR 000	10,5% EUR 000	11,0% EUR 000
1,50%	74 403	66 960	60 394	54 558	49 338
2,00%	81 040	72 675	65 357	58 900	53 162
2,50%	88 699	79 207	70 982	63 786	57 436
3,00%	97 634	86 744	77 411	69 322	62 245
3,50%	108 193	95 537	84 828	75 649	67 695

18. Impairment of goodwill and intangibles with indefinite useful life (continued)

Year ended 31 December 2016

WACC Terminal growth rate	9,5% EUR 000	10,0% EUR 000	10,4% EUR 000	11,0% EUR 000	11,5% EUR 000
1,50%	26 684	22 388	19 298	15 152	12 076
2,00%	31 028	26 195	22 742	18 139	14 746
2,50%	35 993	30 510	26 622	21 477	17 713
3,00%	41 722	35 441	31 027	25 233	21 030
3,50%	48 406	41 131	36 070	29 490	24 760

Year ended 31 December 2015

WACC Terminal growth rate	9.5% EUR 000	10.0% EUR 000	10.4% EUR 000	11.0% EUR 000	11.5% EUR 000
1.50%	36 215	31 021	27 286	22 274	18 556
2.00%	41 466	35 623	31 450	25 885	21 784
2.50%	47 468	40 839	36 140	29 920	25 370
3.00%	54 393	46 800	41 464	34 460	29 379
3.50%	62 472	53 678	47 560	39 606	33 888

(ii) Production unit - agave

The recoverable amount of the Production unit – agave - has been determined based on a value-in-use calculation using cash flow projections from the five-year planning process approved by senior management. The pre-tax discount rates applied to cash flow projections are 13.4% (2016: 15%) and cash flows beyond the five-year period are extrapolated using a growth rate of 3.5% (2016: 2.5%).

The following sensitivity analysis shows the VIU (net of assets) of different pre-tax weighted average cost of capital rates (WACC) and terminal growth rates used in the impairment review models.

WACC Terminal growth rate	12,5% EUR 000	13,0% EUR 000	13,4% EUR 000	13,7% EUR 000	14,0% EUR 000
2,50%	6 296	5 723	5 303	5 008	4 729
3,00%	6 762	6 138	5 683	5 364	5 063
3,50%	7 279	6 596	6 101	5 755	5 429
4,00%	7 857	7 106	6 563	6 185	5 831
4,50%	8 508	7 675	7 077	6 663	6 276

Year ended 31 December 2016

WACC Terminal growth rate	12,0% EUR 000	12,5% EUR 000	13,0% EUR 000	13,5% EUR 000	14,0% EUR 000
1,00%	6 473	5 874	5 318	4 802	4 320
1,50%	7 021	6 378	5 784	5 232	4 719
2,00%	7 615	6 923	6 285	5 694	5 147
2,50%	8 261	7 513	6 826	6 192	5 606
3,00%	8 965	8 154	7 412	6 729	6 100

18. Impairment of goodwill and intangibles with indefinite useful life (continued)

(iii) Distribution unit

The recoverable amount of the Distribution unit has been determined based on a value-in-use calculation using cash flow projections from the five-year planning process approved by senior management. The pre-tax discount rate applied to cash flow projections is 10% (2016: 10.4%; 2015: 10.4%) and cash flows beyond the five-year period are extrapolated using a 2.5% (2016: 2.5%, 2015: 2.5%) growth rate. The following sensitivity analysis shows the VIU (net of assets) of different pre-tax weighted average cost of capital rates (WACC) and terminal growth rates used in the impairment review models.

Year ended 31 December 2017

WACC	9%	9.5%	10.0%	10.5%	11.0%
Terminal growth rate	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
1.50%	112 716	105 217	98 601	92 721	87 459
2.00%	120 661	112 141	104 686	98 109	92 263
2.50%	129 827	120 053	111 582	104 170	97 631
3.00%	140 521	129 182	119 463	111 040	103 670
3.50%	153 160	139 833	128 557	118 891	110 515

Year ended 31 December 2016

WACC	9,5%	10,0%	10,4%	11,0%	11,5%
Terminal growth rate	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
1,50%	62 076	57 424	54 079	49 588	46 258
2,00%	67 078	61 825	58 072	53 068	49 381
2,50%	72 794	66 812	62 571	56 958	52 852
3,00%	79 390	72 511	67 678	61 333	56 730
3,50%	87 085	79 088	73 525	66 292	61 094

Year ended 31 December 2015

WACC	9,5%	10,0%	10,4%	11,0%	11,5%
Terminal growth rate	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
1,50%	50 052	45 529	42 276	37 911	34 673
2,00%	54 865	49 761	46 115	41 254	37 671
2,50%	60 366	54 558	50 440	44 990	41 003
3,00%	66 714	60 039	55 349	49 192	44 726
3,50%	74 119	66 364	60 969	53 956	48 914

18. Impairment of goodwill and intangibles with indefinite useful life (continued)

(iv) Amber IP unit

The recoverable amount of the Amber IP unit has been determined based on a value-in-use calculation using cash flow projections from the three-year planning process approved by senior management. The pre-tax discount rate applied to cash flow projections is 10.4% (2016: 10.4%; 2015: 10.4%) and cash flows beyond the three-year period are extrapolated using a 2.5% (2016: 2.5%; 2015: 2.5%) growth rate. The following sensitivity analysis shows the VIU (net of assets) of different pre-tax weighted average cost of capital rates (WACC) and terminal growth rates used in the impairment review models.

Year ended 31 December 2017

WACC	9,5%	10,0%	10,4%	11,0%	11,5%
Terminal growth rate	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
1,50%	23 935	22 559	21 570	20 242	19 257
2,00%	25 327	23 779	22 673	21 199	20 112
2,50%	26 918	25 162	23 916	22 269	21 063
3,00%	28 754	26 742	25 328	23 472	22 126
3,50%	30 895	28 565	26 944	24 836	23 321

Year ended 31 December 2016

WACC	9,5%	10,0%	10,4%	11,0%	11,5%
Terminal growth rate	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
1,50%	15 598	14 696	14 048	13 178	12 533
2,00%	16 510	15 496	14 771	13 805	13 094
2,50%	17 553	16 402	15 586	14 507	13 717
3,00%	18 756	17 438	16 511	15 295	14 413
3,50%	20 160	18 632	17 570	16 189	15 197

Year ended 31 December 2015

WACC	9,5%	10,0%	10,4%	11,0%	11,5%
Terminal growth rate	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
1,50%	38 853	36 640	35 049	32 913	31 329
2,00%	41 090	38 601	36 822	34 451	32 704
2,50%	43 647	40 822	38 820	36 170	34 232
3,00%	46 597	43 362	41 088	38 104	35 939
3,50%	50 038	46 292	43 685	40 296	37 860

Key assumptions used in the value-in-use calculations

The calculation of value-in-use for all regions is most sensitive to the following assumptions:

- Spirits price inflation – 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;
- Agave price inflation – 10% annual percentage increase for next 5 years assumed based on recent market research data;
- 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;

18. Impairment of goodwill and intangibles with indefinite useful life (continued)

- Market share – through Group companies specific actions outlined in detailed internal plans, market share to be grown overall;
- Discount rates – rates reflect the current market assessment of the risks specific to each operation. The discount rate was estimated based on an average guideline of companies adjusted for the operational size of the Group and specific regional factors;
- Raw material cost – assumed to be at average industry cost;
- Growth rate used to extrapolate cash flows beyond the forecast period. The assumed growth rate reflects management expectation and takes into consideration growth achieved to date, current strategy and expected spirits market growth.

19. Property, plant and equipment

	Land and buildings EUR 000	Machinery and equipment EUR 000	Other PPE EUR 000	Leasehold improvements EUR 000	Construc-tion in progress EUR 000	Advances for PPE EUR 000	**TOTAL EUR 000**
As at 31.12.2015							
Cost value	37 850	22 342	7 894	109	2 710	149	**71 054**
Accumulated depreciation and impairment	(14 518)	(19 779)	(5 905)	(30)	(875)	-	**(41 107)**
Net book value	**23 332**	**2 563**	**1 989**	**79**	**1 835**	**149**	**29 947**
2016							
Additions	21	24	888	137	1 738	6	**2 814**
Acquired through business combination	4 420	248	71	-	-	-	**4 739**
Disposals	(385)	(330)	(773)	(4)	-	(3)	**(1 495)**
Accumulated depreciation of disposed assets	324	331	566	4	-	-	**1 225**
Reclassification	779	761	699	5	(1 478)	(1)	**765**
Depreciation	(1 648)	(657)	(930)	(31)	-	-	**(3 266)**
Total	3 511	377	521	111	260	2	**4 782**
As at 31.12.2016							
Cost value	41 037	22 388	7 849	216	2 970	151	**74 611**
Accumulated depreciation and impairment	(14 194)	(19 448)	(5 339)	(26)	(875)	-	**(39 882)**
Net book value	**26 843**	**2 940**	**2 510**	**190**	**2 095**	**151**	**34 729**
2017							
Additions	29	1	399	88	2 871	590	**3 978**
Disposals	-	(374)	(667)	-	22	6	**(1 013)**
Accumulated depreciation of disposed assets	-	560	361	-	-	-	**921**
Reclassification	1 222	2 687	(194)	11	(3 178)	(548)	**-**
Acquired through business combination	-	349	142	-	-	-	**491**
Acquired through reorganisation of the Group	14 394	2 245	94	-	43	-	**16 776**
FX difference	(7)	(16)	(4)	-	-	-	**(27)**
Depreciation	(2 060)	(1 935)	(22)	(54)	-	-	**(4 071)**
Total	13 578	3 517	109	45	(242)	48	**17 055**
As at 31.12.2017							
Cost value	56 675	27 280	7 619	315	2 728	199	**94 816**
Accumulated depreciation and impairment	(16 254)	(20 823)	(5 000)	(80)	(875)	-	**(43 032)**
Net book value	**40 421**	**6 457**	**2 619**	**235**	**1 853**	**199**	**51 784**

19. Property, plant and equipment (continued)

The gross carrying value of fully depreciated property, plant and equipment that is still in use is EUR 22 832 thousand (2015: EUR 15 465 thousand).

Fixed assets of the Group with the net book value of EUR 35 million as at 31.12.2017 (2016: EUR 34 million) are pledged under the conditions of the Mortgage and Commercial pledge agreements as the security for loans from the credit institutions (see Note 22).

Fair value of investment property is EUR 1 850 thousand (2016: EUR 1 850 thousand). The fair value in 2016 was assessed by independent valuation expert. In 2017 according to management estimations, there are no significant changes in the fair value of investment properties, therefore independent valuator was not involved.

The Group has acquired several assets during the finance lease transactions. The net book value of these assets as at 31 December 2017 is EUR 2 244 thousand (31.12.2016: EUR 1 675 thousand; 31.12.2015: 1 020 thousand).

Direct income in amount of EUR 39 thousand (2016: EUR 42 thousand) and direct expense in amount of EUR 39 thousand (2016: EUR 42 thousand) from rent of investment property was recognised in the statement of comprehensive income.

20. Inventories

	31.12.2017 EUR 000	31.12.2016 EUR 000	31.12.2015 EUR 000
Raw materials	15 467	13 760	11 220
Finished goods and merchandize	39 683	29 711	30 559
Production in progress	3 394	2 993	4
Goods in transit	481	1 641	613
Other	300	8	606
Provisions for obsolete stock	(2 044)	(1 601)	(1 086)
Total	**57 281**	**46 512**	**41 916**

Inventories of the Group with the book value as of 31.12.2017 of EUR 51 million (31.12.2016: EUR 46.5 million) are pledged in accordance with the terms of Commercial pledge agreements as the security for loans from the credit institutions (see Note 22).

21. Trade and other receivables

	31.12.2017 EUR 000	31.12.2016 EUR 000	31.12.2015 EUR 000
Trade receivables	61 513	42 885	41 776
Allowance for doubtful debts	(1 058)	(1 490)	(1 673)
	60 455	**41 395**	**40 103**
Receivables from related parties	20 155	18 439	16 838
Other debtors and prepayments	3 630	2 176	1 265
Total	**84 240**	**62 010**	**58 206**

The movement on the allowance for doubtful debts is set out below.

	2017 EUR 000	2016 EUR 000
Balance at the beginning of the year	1 490	1 673
Acquired through business combination	194	-
Change in allowance recognized in income statement	(140)	(183)
Release of allowance for doubtful debts	(486)	-
Balance at the end of the year	**1 058**	**1 490**

As at 31 December, the analysis of trade receivables that were past due, but not impaired:

	31.12.2017 EUR 000	31.12.2016 EUR 000	31.12.2015 EUR 000
Overdue 0-30 days	5 781	3 541	3 506
Overdue for more than 30 days	2 404	2 786	2 109
Total	**8 185**	**6 327**	**5 615**

The credit quality of trade receivables that are neither past due nor impaired is assessed by reference to external credit ratings where applicable, otherwise historical information on counter-party default rates is used. The Group continually assesses the recoverability of trade receivables and the level of provision required.

Information about major customers
Concentration of credit risk of Trade receivables with the customers of similar characteristics as at 31 December 2017 is 22% (31.12.2016: 31%; 31.12.2015: 37%).

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

Trade and other receivables with the book value as at 31.12.2017 of EUR 48 million (31.12.2016: EUR 43 million; 31.12.2015: 41 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 22).

22. Borrowings

	Current 31.12.2017 EUR 000	Non-current 31.12.2017 EUR 000	Current 31.12.2016 EUR 000	Non-current 31.12.2016 EUR 000	Current 31.12.2015 EUR 000	Non-current 31.12.2015 EUR 000
Loans from credit institutions	13 506	9 304	12 055	17 124	4 906	17 928
Credit lines and ovedraft facilities	13 081	-	11 556	-	18 050	-
Loans from related parties	682	16 405	30	31	-	-
Total	**27 269**	**25 709**	**23 641**	**17 155**	**22 956**	**17 928**

As at 31 December 2017 the Group had entered into various loan and borrowing facilities with Swedbank AS and Nordea Bank AB Latvian branch (currently Luminor Bank AS):

1) Swedbank AS loan to Latvijas Balzams AS (31.12.2017: EUR 4 808 thousand; 31.12.2016: 5 939 thousand, 31.12.2015: EUR 7 070 thousand) – maturing on 02.03.2018. Subsequently to the year end the loan has been prolonged until 31.05.2021.

2) Nordea Bank AB Latvian Branch (currently Luminor Bank AB) loan to Latvijas Balzams AS (31.12.2017: EUR 2 693 thousand; 31.12.2016: EUR 4 488 thousand; 31.12.2015: EUR 6 283 thousand) – maturing on 30.06.2019.

3) Nordea Bank AB Latvian Branch (currently Luminor AB) loans to Amber Distribution Latvia SIA – maturing on 28.02.2018 (31.12.2017: EUR 962 thousand; 31.12.2016: EUR 1 191 thousand; 31.12.2015: EUR 1 419 thousand) and on 30.06.2019 (31.12.2017: EUR 1 889 thousand; 31.12.2016: EUR 2 542 thousand; 31.12.2015: EUR 3 559 thousand). Subsequently to the year end the loans have been partially prolonged until 28.02.2021.

4) Swedbank AB loan to Bennet Distribution UAB (31.12.2017: EUR 3 081 thousand; 31.12.2016: EUR 3 792 thousand; 31.12.2015: EUR 4,503 thousand) – maturing on 08.05.2018. Subsequently to the year end the loan has been refinanced to Swedbank AS with maturity date of 24.06.2021.

5) Swedbank AS group account credit line to Amber Beverage Group SIA with the credit limit of EUR 4.0 million (2016: EUR 4 million; 2015: EUR 11.7 million) maturing on 30.06.2018. Total available amount of undrawn facility as at 31.12.2017 is EUR 2.1 million (31.12.2016: EUR 4 million; 31.12.2015 - EUR 2.2 million). Subsequently to the year end the group credit line facility has been prolonged until 30.06.2019.

6) Nordea Bank AB Latvian Branch (currently Luminor Bank AS) group account overdraft facility to Amber Beverage Group SIA (as the general manager of the group account overdraft facility) with the credit limit of EUR 20.9 million (2016: 20.1 million; 2015: EUR 12.4 million) maturing on 30.06.2018. Total available amount of undrawn facility as at 31.12.2017 is EUR 9.75 million (31.12.2016: EUR 8.6 million; 31.12.2015: EUR 3.9 million). Subsequently to the year end the credit limit of group account overdraft facility has been increased by EUR 1 million.

7) Nordea Bank AB Latvian branch (currently Luminor Bank AS) loans to Amber Beverage Group SIA maturing on 30.09.2021 (31.12.2017: EUR 8 861 thousand; 31.12.2016: 11 224 thousand; 31.12.2015: nil) and on 31.03.2022 (31.12.2017: EUR 869 thousand; 31.12.2016: nil; 31.12.2015: nil).

Interest rates applied to the loans are within the range of EURIBOR or EONIA plus 2-2.05% p.a.

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 assets (except those owned by Talvis AO and Cellar Trend Limited) as aggregation of property on the date of pledging as well as future aggregation of property;

(iii) All pledged shares of the Parent Company and subsidiaries, and any other shares that may be acquired in the future.

22. Borrowings (continued)

The Group is subject to certain covenants related primary to its borrowings from Nordea Bank AB Latvian branch (currently Luminor Bank AS), Swedbank AS and Swedbank AB. Non-compliance with such covenants may result in negative consequences for the Group including increase of applied interest rates. Management believes that as at 31 December 2017 and 31 December 2016 the Group complied with all the covenants.

23. Finance lease liabilities

	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	31.12.2017 EUR 000	31.12.2017 EUR 000	31.12.2016 EUR 000	31.12.2016 EUR 000	31.12.2015 EUR 000	31.12.2015 EUR 000
Amounts payable under finance leases:						
Within one year	579	557	594	586	593	566
In the second to fifth year inclusive	936	913	828	793	1 076	1 045
Over five years	-	-	-	-	-	-
	1 515	**1 469**	**1 422**	**1 379**	**1 669**	**1 611**
less future finance charges	(46)	-	(43)	-	(58)	-
Present value of minimum lease payments	**1 469**	**1 469**	**1 379**	**1 379**	**1 611**	**1 611**
Less amounts included in current liabilities		(557)		(586)		(566)
Amounts included in non-current liabilities		**913**		**793**		**1 045**

24. Taxes payable

	31.12.2017 EUR 000	31.12.2016 EUR 000	31.12.2015 EUR 000
Excise tax	18 582	15 200	11 425
Value added tax	5 172	3 917	4 880
Corporate income tax	2 146	128	66
Other	1 191	868	807
Total	**27 091**	**20 113**	**17 178**

25. Trade and other payables

	31.12.2017 EUR 000	31.12.2016 EUR 000	31.12.2015 EUR 000
Trade payables	36 303	22 173	18 293
Contingent consideration	12 167	-	-
Accrued expense	4 391	2 117	1 534
Payables to related parties	3 368	2 453	1 935
Vacation reserve	1 602	1 282	1 200
Salaries payable	936	914	976
Advances received	221	100	159
Deferred income	104	21	20
Other payables	901	127	481
Total	**59 993**	**29 187**	**24 598**
Out of that:			
Non-current	-	-	3
Current	59 993	29 187	24 595

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;
- For terms and conditions with related parties refer to Note 28.

For explanations on the Group's liquidity risk management processes, refer to Note 27.6.

Contingent consideration is related to acquisition of Interbaltija AG AS and Cellar Trend Holdings (see Note 10.1).

26. Authorized and issued share-capital and reserves

26.1. 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 2017 is 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, the shareholders of the Parent Company have contributed the share premium in amount of EUR 132 million.

As at 31.12.2016 (before the reorganisation) the share capital of the Parent Company Amber Beverage Group SIA is EUR 104 536 523, consisting of 104 536 523 shares with par value of EUR 1 each.

26.2. 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 Group reorganisation, the assets and liabilities were accounted at their book values on the date of acquisition. See details of pooling reserve calculation in Note 10.1.

26.3. Non-controlling interest

	2017 EUR	2016 EUR
Opening balance	9 617	7 927
Acquired through reorganisation of the Group (Note 10.2)	(6 070)	-
Acquisition of non-controlling interest by Parent Company	-	(385)
Current period charge to income statement	1 028	1 284
Reclassification due to liquidation of subsidiary	-	791
Closing balance	**4 575**	**9 617**

27. 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.

27.1. 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 22 and Note 24).

27.2. 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.

27.3. 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 2017 are not hedged. With all other variables being constant the Group's profit before tax is affected through the impact on floating rate borrowings as follows:

	31.12.2017 EUR 000	31.12.2016 EUR 000	31.12.2015 EUR 000
Financial liabilities at floating rate	24 281	23 858	32 653
Total	**24 281**	**23 858**	**32 653**

		Effect on profit before tax	
Currency of the borrowing	Change in basis points	2017 EUR 000	2016 EUR 000
EUR	+30	73	31
	-30	(73)	(31)

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 have 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.

27.4. Foreign currency risk

The Group operates internationally and is exposed to foreign currency risk arising mainly from the U.S. dollars and Russian rubles, Sterling pounds and Mexican Pesos fluctuations resulting from purchase of raw materials and consumables.

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

	31.12.2017 EUR 000	31.12.2016 EUR 000	31.12.2015 EUR 000
Financial assets in RUB	171 781	-	-
Financial liabilities in RUB	(488 065)	(1 214)	(631)
Open position in RUB, net	(316 284)	(1 214)	(631)
Open position in RUB calculated in EUR, net	**(4 558)**	**(19)**	**(8)**
Financial assets in USD	891	5 495	199
Financial liabilities in USD	(1 033)	(1 389)	(922)
Open position in USD, net	(142)	4 106	(723)
Open position in USD calculated in EUR, net	**(136)**	**3 924**	**(644)**
Financial assets in GBP	9 839	-	-
Financial liabilities in GBP	(15 060)	(6)	-
Open position in GBP net	(5 221)	(6)	-
Open position in GBP calculated in EUR, net	**(5 885)**	**(7)**	**-**
Financial assets in MXN	306	1 781	-
Financial liabilities in MXN	(16 000)	-	-
Open position in MXN net	(15 694)	1 781	-
Open position in MXN calculated in EUR, net	**(663)**	**82**	**-**

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:

	2017		2016	
	Change in currency rate	Effect on equity, EUR 000	Change in currency rate	Effect on equity, EUR 000
RUB	+10%	414	+10%	2
	-10%	(506)	-10%	(2)
USD	+10%	13	+10%	(357)
	-10%	(15)	-10%	436
GPB	+10%	535	+10%	1
	-10%	(653)	-10%	(1)
MXN	+10%	60	+10%	(8)
	-10%	(74)	-10%	9

27.5. 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.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored, and credit insurance is used where applicable. The credit quality of trade receivables that are neither past due nor impaired is assessed by reference to external credit ratings where available, otherwise historical information relating to counter-party default rates is used. The Group continually assesses the recoverability of trade receivables and the level of provisioning required. Refer to Note 21 for details of the age of accounts receivable which are past due.

The carrying amount of accounts receivable is reduced by an allowance account and the amount of loss is recognised within the consolidated statement of comprehensive income. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited to the consolidated statement of comprehensive income. Refer to Note 21 for details on the movement in allowance for doubtful debts. Management does not believe that the Group is subject to any significant credit risk taking into account the Group's large and diversified client base, which is located in several jurisdictions.

Other receivables and financial assets

Other receivables and tax financial assets consist largely of VAT and corporate income tax receivable. The counter-parties are tax authorities in various jurisdictions. Financial assets include loans to related parties (see Note 28.2)

27.6. 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.

Year 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** **EUR 000**
Interest bearing loans and borrowings (Note 22)	29 602	18 560	4 807	**52 969**
Interest payable	1 207	2 560	228	**3 995**
Finance leases (Note 23)	579	936	-	**1 515**
Derivatives (Note 24)	-	49	-	**49**
Trade and other payables (Note 25)	39 892	-	-	**39 892**
Total:	**71 280**	**22 105**	**5 035**	**98 420**

27.6. Liquidity risk (continued)

The table below summarises the maturity profile of the Group's undiscounted financial liabilities at 31 December 2017.

Period ended 31 December 2016

Financial liabilities	Less than 1 year EUR 000	Between 2 and 5 years EUR 000	More than 5 years EUR 000	**Total EUR 000**
Interest bearing loans and borrowings (Note 22)	29 602	18 560	4 807	**52 969**
Interest payable	1 207	2 560	228	**3 995**
Finance leases (Note 23)	594	828	-	**1 422**
Derivatives (Note 24)	-	49	-	**49**
Trade and other payables (Note 25)	39 892	-	-	**39 892**
Total:	**71 295**	**21 997**	**5 035**	**98 327**

Period ended 31 December 2015

Financial liabilities	Less than 1 year EUR 000	Between 2 and 5 years EUR 000	More than 5 years EUR 000	**Total EUR 000**
Interest bearing loans and borrowings (Note 22)	22 944	17 940	-	**40 884**
Interest payable	645	811	-	**1 456**
Finance leases (Note 23)	593	1 076	-	**1 669**
Derivatives (Note 24)	-	128	-	**128**
Trade and other payables (Note 25)	20 389	-	-	**20 389**
Total:	**44 571**	**19 955**	**-**	**64 526**

As at 31 December 2017 the Group has further EUR 11 835 thousand (31.12.2016: EUR 6 071 thousand; 31.12.2015: EUR 6 211 thousand) of undrawn facilities available under the terms of credit line agreements with Nordea Bank AB Latvian Branch (currently Luminor Bank AS) and Swedbank AS.

28. Related party transactions

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.

28.1. Trading transactions

	Amounts owed by related parties			Amounts owed to related parties		
	31.12.2017 EUR	31.12.2016 EUR	31.12.2015 EUR	31.12.2017	31.12.2016 EUR	31.12.2015 EUR
Parent Company	-	-	-	-	-	-
Other related parties	20 155	18 439	16 833	3 368	2 453	1 935
Total controlled by the Ultimate controlling party	**20 155**	**18 439**	**16 833**	**3 368**	**2 453**	**1 935**

	Sale of services and goods		Purchase of services and goods	
	2017 EUR 000	2016 EUR 000	2017 EUR 000	2016 EUR 000
Parent Company	-	-	-	-
Other related parties	52 439	48 037	3 262	10 052
Total controlled by the Ultimate controlling party	**52 439**	**48 037**	**3 262**	**10 052**

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. 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 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2016: nil; 2015: 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.

28.2. Loans from and to related parties

	31.12.2017 EUR 000	31.12.2016 EUR 000	31.12.2015 EUR 000
Loans to related parties			
To Parent Company:			
Non-current portion	27 385	39 403	38 326
Current portion	-	2	29
Total:	**27 385**	**39 405**	**38 355**
To other controlled companies:			
Non-current portion	343	-	-
Current portion	53	-	-
Total:	**396**	**-**	**-**
Total loans to reated parties	**27 781**	**39 405**	**38 355**
Loans from related parties			
By the Parent Company:			
Non-current portion	(9 990)	-	-
Current portion	(677)	-	-
Total:	**(10 667)**	**-**	**-**
By other controlled companies:			
Non-current portion	(6 415)	(31)	-
Current portion	(5)	(30)	-
Total:	**(6 420)**	**(61)**	**-**
Total loans from reated parties	**(17 087)**	**(61)**	**-**

Loans to related parties have been issued to related parties within SPI Group. The non-current loans to related parties are not secured and are maturing in 2022-2025. The Group has applied fixed interest rate of 3% (2016: 3%) 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.

Loans to related parties in amount of EUR 343 thousand and loans from related parties in amount of EUR 6 384 thousand are partially obtained as part of the reorganisation of the Group. The loans are long-term (maturing in 2022-2025), with fixed interest rate of 3%.

28.3. Compensation to the key management personnel

	2017 EUR 000	2016 EUR 000
Short-term employee benefits	1 559	1 058
Social security costs	377	240
Total	**1 936**	**1 298**

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

29. Cash and cash equivalents

	31.12.2017	31.12.2016	31.12.2015
	EUR 000	EUR 000	EUR 000
Cash at bank	3 728	3 988	647
Petty cash	1	1	2
Cash in shops	168	297	191
Cash in transit	269	74	63
Total	**4 166**	**4 360**	**903**

30. Operating lease commitments

The Group has concluded several agreements for the operating lease of assets. Total lease payments made for the reporting year are EUR 2 545 thousand (2016: EUR 1 955 thousand).

According to the signed lease agreements, the Group has the following non-cancellable lease liabilities:

	31.12.2017	31.12.2016	31.12.2015
	EUR 000	EUR 000	EUR 000
Payable in 1 year	1 479	1 463	1 443
Payable in 2-5 years	544	824	1 109
Total	**2 023**	**2 287**	**2 552**

31. Commitments and Contingencies

31.1. Guarantees issued

Subsidiary Latvijas Balzams has issued a guarantee to Nordea Bank AB Latvian branch (currently Luminor Bank AS) for the related company S.P.I. Spirits (Cyprus) Ltd of USD 15.0 million, resulting from overdraft agreement signed in July 2007. The guarantee is valid until the fulfilment of all overdraft contract obligations and the deadline was defined as 30 June 2017. On 29 June 2017 the overdraft completion date was extended till 30 June 2018. S.P.I. Spirits (Cyprus) Limited pays a guarantee fee to the Company in amount equal to the annual interest rate of 1.2% of the used overdraft amount.

Taking into account the financial position of the SPI Group companies 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.

31.2. Guarantees received

The Group entity - Bennet Distributors UAB - has received the guarantee from Swedbank AB (Lithuania) that has been issued in favour to State Revenue Authority of Republic of Lithuania. The maximum amount of the guarantee is EUR 1 million (31.12.2016: 1 million). The applied interest rate is 2% p.a. The guarantee matures on 08.02.2018. In subsequent period Swedbank AB has withdrawn the guarantee. The Group has made the security deposit to respective tax authority.

In 2015 Nordea Bank AB Latvian branch (currently Luminor Bank AS) issued two guaranties to the Group entities Latvijas Balzams and Amber Distribution Latvia for total maximal amount of EUR 783 thousand. The applied interest rate is EONIA + 2.05%, maturity date – 30.06.2019.

31. Commitments and Contingencies (continued)

31.3. Trademark related

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 commercialise Russian vodka, mainly STOLICHNAYA and MOSKOVSKAYA® in the world.

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

Due to liberalisation of Soviet economy, which was the result of famous "PERESTROYKA", the management of SOJUZPLODOIMPORT decided 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 the relevant provisions of USSR law.

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

As the legal successor of Soviet State Enterprise SOJUZPLODOIMPORT, the Joint Stock Company SOJUZPLODOIMPORT inherited all assets of the former, including the world-wide 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 world-wide. Moreover, on a number of 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.

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

In 2000, a campaign towards re-nationalization of Soviet vodka brands lawfully owned by SPI Group was started. As part of this campaign the Russian national registrations of the Soviet brands were seized for the benefit of the Russian Federation and (after eight years of acquiescence and even 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 allegedly invalid transformation of the State enterprise SOJUZPLODOIMPORT into the private company. The Intellectual Property which used to be owned by the former USSR State enterprise SOJUZPLODOIMPORT, was acquired by SPI Group from the private company, the successor of State enterprise SOJUZPLODOIMPORT, in 1997 (i.e. 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 Russian Federation named FKP (Federal Treasury Enterprise) SOJUZPLODOIMPORT has claimed recognition of its ownership in respect of Soviet vodka brands owned by SPI Group, in a number of jurisdictions. SPI is actively defending the lawsuit.

31. Commitments and Contingencies (continued)

31.4. Lawsuit related

Ierosme case

In 2015 the Groups subsidiary 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. Latvijas Balzams 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 Latvijas Balzams for debt of EUR 111 thousand and the amount of penalty of EUR 75 thousand of the recovery, and Latvijas Balzams 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 Latvijas Balzams debt and penalty recovery and refer the case for retrial. The hearing date is not known yet. The outcome of the case is not clearly stated at this moment, but according to the managements assessments it will be in favor of Latvijas Balzams. The financial statements include provisions for the principal amount, but the potential penalties and statutory interest, which could arise from the negative result of the lawsuit, have not been recognized.

Slovenian tax case

In 2017 Latvijas Balzams received a decision from Slovenian tax authorities, dated 1 June 2017 whereby Latvijas Balzams was imposed to pay EUR 366 thousand of excise duty. The tax authorities claimed that Latvijas Balzams is obliged to cover excise duties for the goods produced at Latvijas Balzams 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. Latvijas Balzams argued that should not be liable for the tax debt as was acting in accordance with applicable legislation. A decision of the appeal body has not been issued yet.

Break Cigarillos case

In 2015 subsidiary of the Group - Bennet Distributors UAB - has received notice from Lithuanian tax authorities, concerning "Break Blue" and "Break Original" cigarillos. In the Tax authority inspection certificate, it was stated that based on the conclusions of the examination reports the tobacco products "Break Original" and "Break Blue" are not considered as cigarillos, as products do not match the description of cigarillos (the outer wrapper of the natural tobacco does not cover them in full, including their filters), but should be considered cigarettes. State Tax Inspectorate recommended Bennet to declare and to pay the excise duty for the tobacco products ("Break Blue" and "Break Original") according to the excise rate applied to cigarettes, which would imply obligation to pay additional EUR 627 thousand of excise duty.

Bennet has informed the producer of the Break Blue" and "Break Original" products - Scandinavian Tobacco Group of the situation. Scandinavian Tobacco Group assured Bennet Distributors that cigarillos BREAK are cigarillos and they clearly meet the definition of cigars and cigarillos stated under applicable regulations and assured that this fact was supported with court decisions in other countries.

On 23 July 2015 tax authorities issued a decision obliging Bennet Distributors to pay the tax difference. Bennet Distributors has appealed against this decision to the Commission on Tax Disputes, which after evaluating the situation cancelled the first decision of the tax authorities. The tax authorities filed an appeal about the latter decision of the Commission on Tax Disputes to court. The court hearings are pending.

32. Events after the balance sheet date

In January 2018, the Luminor Bank AS (previously Nordea Bank AB Latvian branch) increased the Group account overdraft facility provided to the Group by additional funds of EUR 1 million. All other terms and conditions remained unchanged.

In January and February 2018, the Group received short term loan from the ultimate shareholder in amount of MNX 44 million (EUR 1.9 million) to finance the acquisition of current assets. The loan is repayable in December 2018.

In February 2018, in order to strengthen the Group's position in Estonia the Parent Company acquired 100% shares of Remedia AS – a producer of alcohol beverages and distributor of own produced and import brands in Estonia. Till the issuance of these consolidated financial statements the Group has not finalised the purchase price allocation exercise.

In April 2018 the reorganisation process of the ABG continued, that resulted in transferring the capital shares of subsidiaries previously owned by Amber Beverage Group SIA and Amber Distribution Latvia SIA directly to the Parent Company. The reorganisation process is expected to be finalised by the end of second quarter of 2018.

In April 2018 the Group has finalised the acquisition of Interbaltija AG AS and has made the final payment in amount of EUR 960 thousand. The payment has been fully financed by Luminor Bank AS.

In April 2018 the Group prolonged the loan agreements or obtained the technical prolongment in respect to several loans received from Luminor Bank AS and Swedbank LT which initial matures in first quarter 2018.

In May 2018, the Group continued the acquisition of Cellar Trends – the distributor of alcohol beverages in the UK by acquiring additional 30% of share capital of Cellar Trends Holding Limited.

In May 2018 the Parent Company acquired 90% shareholding of Think Spirits Pty – the distributor of wines and other alcohol beverages in Australia. Transaction was 60% financed with additional long-term loan facility from Luminor Bank AS. Till the issuance of these consolidated financial statements the Group has not finalised the purchase price allocation exercise.

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.

Audit report

To the Shareholders of
Amber Beverage Group Holding S.à r.l.

Report on the audit of the consolidated financial statements

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 2017, 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 statemenet of financial position as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equty for the year then ended;
- the consolidated statetement of cah 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 those Law and standards 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 Management 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.

Report on other legal and regulatory requirements

The Management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 29 May 2018

Marc Minet

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