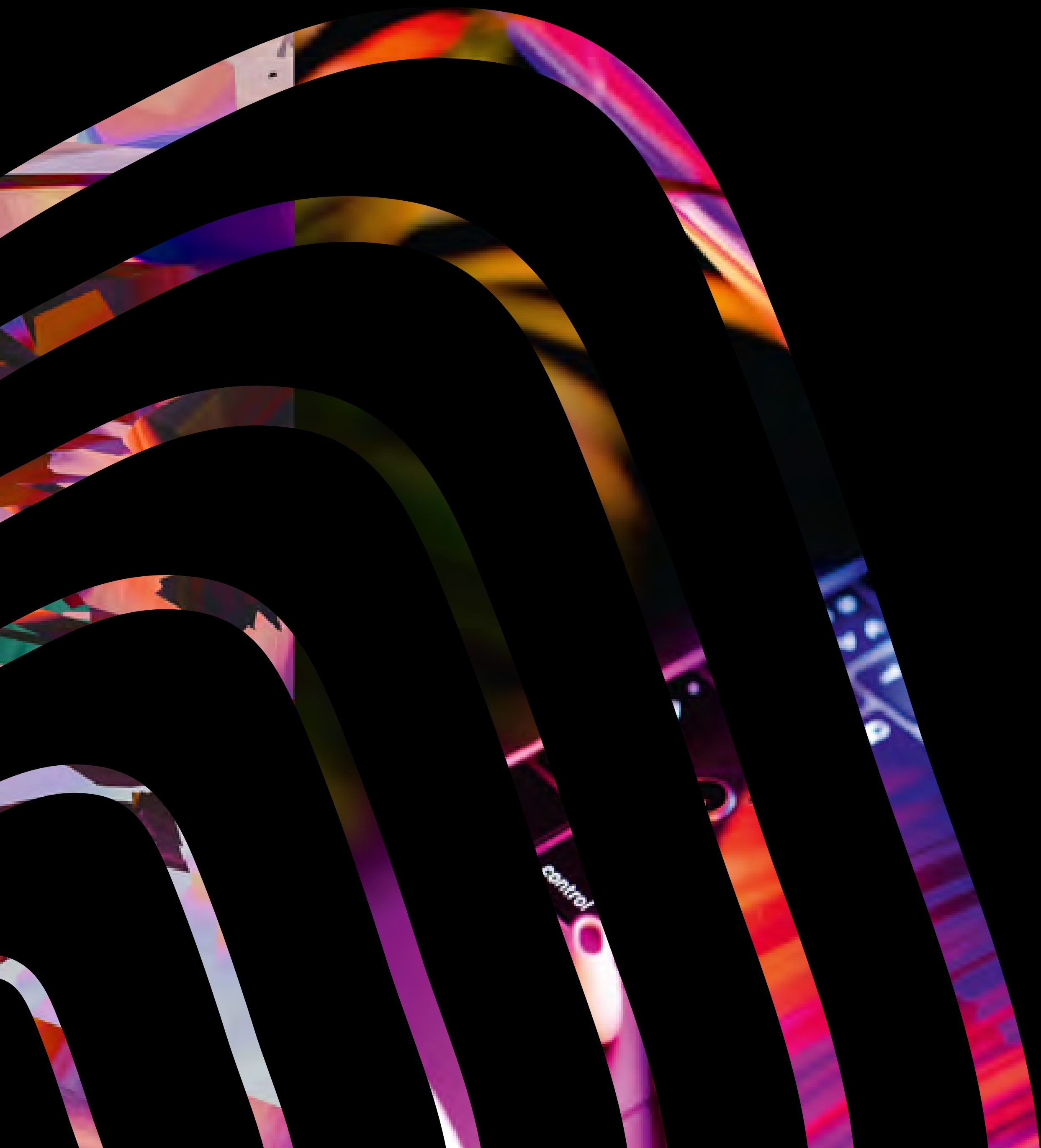
AMBER
BEVERAGE GROUP
Production Logistics Distribution Retail

Ambitious Minds
Bring Excellent Results

Annual Report 2020



AMBER BEVERAGE GROUP

Production Logistics Distribution Retail

LATVIJAS BALZAMS VEIKALI

AMBER DISTRIBUTION LATVIA

LATVIJAS BALZAMS

INTERBALTIJA Fine Wine & Spirits

AMBER DISTRIBUTION ESTONIA

FABRICA DE TEQUILAS FINOS

VINOTHEK GOURMET VĪNI UN TO AKSESUĀRI

BENNET

TALVIS

bravo alco

Cellar Trends

REMEDIA DISTILLERS

mountainspirits

ПЕРМАЛКО 1895

INDIEBRANDS

AMBER LOGISTICS

THINKSPIRITS

Strategic Report

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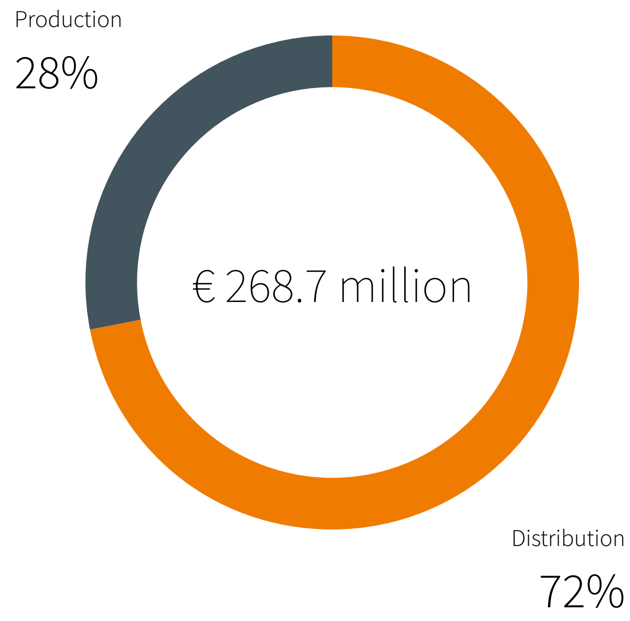
The Group at a Glance

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

Our strategic choices

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

Net revenue 2020



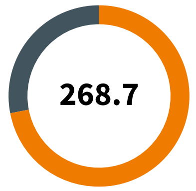
Highlights

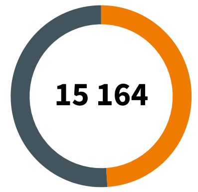
Volume	15.2m 9l cases sold
Core brands	Products produced by Amber Beverage Group are sold in over 185 countries
Headquarters	The ABG head office is located in Luxembourg, the ABG global management team reports to Supervisory Board
Centralized functions	ABG management and Supervisory Board define, coordinate and oversee ABG's overall strategy and ensure governance and compliance of ABG affiliates

	Net revenue, mEUR	Volume, k9Lcs	Headcount

Amber Beverage Group

Revenue 0%
Volume -8%

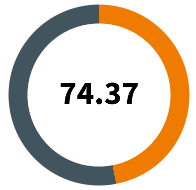


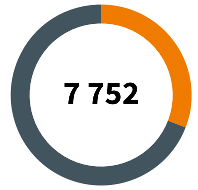


1 966

Production

Revenue -13%
Volume -10%





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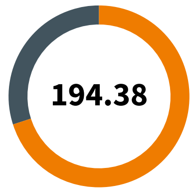
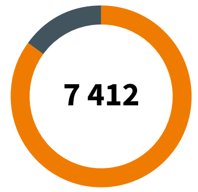
Distribution

Revenue 6%
Volume -7%





689

Volume

Volume, k 9Lcs **15 164**
Reported movement ↓ -8%
Organic movement ↓ -11%

2020	15 164
2019	16 563
2018	15 140

Net revenue

Net sales, m **€ 268.7**
Reported movement ↓ 0%
Organic movement ↑ 11%

2020	268.7
2019	269.2
2018	242.6

Operating Profit

Operating profit, m **€ 21.9**
Reported movement ↑ 4%
Organic movement ↑ 21%

2020	21.9
2019	21.1
2018	22.0

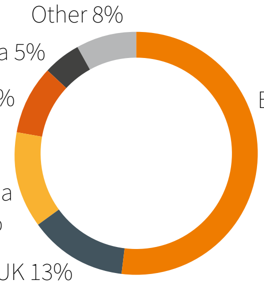
EBITDA

EBITDA*, m **€ 31.2**
Reported movement ↑ 2%
Organic movement ↑ 13%

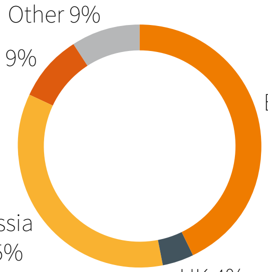
2020	31.2
2019	30.6
2018	26.3

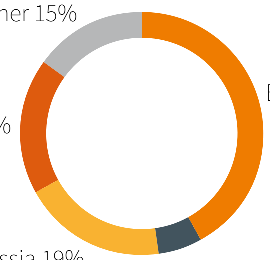
* Normalized for one-off items

Sales by markets



Volumes by sales markets





* Excluding beer and non-alcoholic beverages, raw material (spirit)

ABG Milestones: the Origins

1752

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

1847

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

1894

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

1900

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

1948

Latvijas balzams begins production of Stolichnaya vodka

The formula was created in Russia ten years earlier in 1938

2003

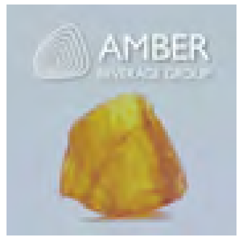
SPI Regional Business Unit BV becomes ABG's leading shareholder

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

2007

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

ABG Milestones: Building for the Future



2014

Amber Beverage Group is registered on October 24

Amber Logistics starts to provide logistic services

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

2015

ABG acquires Moskovskaya® Vodka brand

2016

Moskovskaya® Vodka is rolled out to 68 markets globally

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

2017

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

ABG acquires shares in the UK distribution company Cellar Trends

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

2018

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

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

Arnold (RobotOne) starts working in ABG companies

2019

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

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

2020

After naming KAH® Tequila as its core brand, the Group brings super-premium tequila's marketing and distribution in-house

To ensure exceptional field-to-bottle control over Tequila production, ABG acquires 220 hectares of agave fields in Mexico

ABG announces its plans to build a fully automated high-bay warehouse, which will be one of the most hi-tech warehouses in Europe

With the resumption of can filling, ABG starts to explore the booming RTD (ready-to-drink) category

Mark Garber
Chairman of the Supervisory Board

Statement of the Chairman of the Supervisory Board

Dear reader,

It is my privilege to introduce you to a highly ambitious and adventurous global spirits company, Amber Beverage Group (ABG), which started its extraordinary journey in late 2014. Since its establishment, the Group has grown from a pan-Baltic producer and distributor of alcoholic beverages into a leading spirits industry player seizing opportunities in the global market. I am proud to say that ABG has managed to end this extraordinary year on a high and once again has exceeded its previous year's results despite the challenging Covid-19 circumstances.

Under the precise steering of the Board of Managers and top management, the Group has adapted quickly to the changing world, and all of us on the Supervisory Board have been impressed by the dedication and agility across the whole Amber Beverage Group family. The year of 2020 once again confirmed that determination and passion towards your work is the key to produce the desired result.

Amber Beverage Group has successfully continued to grow awareness of its core brands Moskovskaya® Vodka, Riga Black Balsam®, Rooster Rojo® tequila, Cross Keys Gin®, Cosmopolitan Diva®, and has welcomed a new core brand to the family, the one-of-the-kind super-premium KAH® Tequila. The Group has introduced line extensions to several of its core brands and has grown its presence in e-commerce remarkably both at ABG-owned platforms and those operated by partners, allowing the business to close the gaps left by traditional on-trade channels.

The ABG strategy developed by the Board of Managers and approved by the Supervisory Board is to grow both organically and by the acquisition of new companies worldwide. In 2020, the Group continued working on its purpose, which is bringing #ExtraordinaryEveryday, and during the year the Group took several bold decisions: to acquire its own agave fields in Mexico, to renew its canning capacity, enter the booming RTD (ready-to-drink) category, and to start the development of ABG state-of-the-art warehouse which will be one of the most hi-tech high-bay warehouses in the Baltics and Europe.

To grow its global footprint, during the year several new partnerships were formed with new importers of ABG core brands in several key markets including the US and Mexico – two of the biggest Tequila markets in the world which now are offering KAH® Tequila and Rooster Rojo® tequila. Other ABG core brands have also experienced significant growth in this market, accompanied by impressive results in other strategic markets.

Last year Amber Beverage Group has been named Best Leading International Beverage Company of the Year 2020 - Luxembourg in the Global 100 Annual Awards. In addition to the overall standards of excellence in operations and quality, the Award recognises the business results of ABG, which exceeded its last year's performance despite the global pandemic, as well as the spirit of innovation developing new brands and markets. We would like to note that also Amber Beverage Group CEO, Jekaterina Stuģe has been named Best Female CEO from Latvia for pivoting the Group by means of an innovation agenda.

In our capacity as the Supervisory Board, we have provided the Board of Managers with in-depth advice on how to streamline ABG operations and find efficiencies in the way the Group is working; how to continue working on solutions and ideas for expanding ABG channels and routes to market; finally – how to reach the main goal: to become one of the Top 10 spirits industry players globally. In pursuit of ongoing success, we shall continue to focus on delivering sustainable performance and long-term value, which are the primary areas of focus for the Board of Managers and executive leadership team.

Mark Garber

Chairman of the Supervisory Board
30 April 2021

Our Purpose

The future belongs to those who invent it!

Jekaterina Stuģe
Chairman of the Board of Managers and Group Chief Executive Officer

Chairman's Statement

2020 – a year of resolve and confidence

2020 was defined by the global pandemic that tested everyone – each of us, our families, society and economy. All that previously was considered as "normal" was disrupted – our consumer behaviour was severely affected, our workflows changed, and the overall sense of concern and uncertainty was palpable.

We, at Amber Beverage Group, responded to this test with resolve, the spirit of cooperation, new ideas and relentless effort. Despite the pandemic, we managed to exceed the EUR 30 million EBITDA benchmark and posted strong financials across the board. The financial performance, as always, was the result of the daily dedication of our teams.

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If there is one lesson from 2020, then this is it: we met the performance expectations in a year of Covid-19, providing unwavering confidence that we can and will reach our goal of becoming a Top 10 spirits company in the world. None of our success is down to luck or coincidence. It is the result of our ability and drive. For this, I am immensely grateful to each and every member of our teams across the globe.

Growth – both organic and via acquisitions

The growth of ABG has always been driven both by organic growth in our core markets with emphasis on our core brands and by the addition of new business opportunities. ABG's positions in core markets have strengthened in 2020. According to Nielsen data, we hold the No.1 position in the distribution of beverages in Latvia, a Top 5 position in Estonia, and No.1 and No.2 positions in main spirits categories (whiskey and brandy) in Lithuania.

Along with Moskovskaya® Vodka, Riga Black Balsam®, Cosmopolitan Diva®, Cross Keys Gin® and Rooster Rojo® tequila, the portfolio of our core brands is growing, with new limited editions and line extensions added annually. In 2020 we launched Cross Keys Gin® line extension of Sea Buckthorn flavour, limited edition of Riga Black Balsam® Chocolate & Mint and Riga Black Balsam® XO, which is the most prestigious version of the legendary herbal bitter that has ever been crafted. And these are only a few ideas from ABG's new product development teams that have been brought to our customers worldwide.

A significant milestone of 2020 was the addition of KAH® Tequila to our core brands. Designed to honour Mexico and its people, and with its outstanding design, KAH® Tequila is becoming well recognized in the premium tequila segment worldwide.

When it comes to expansion via acquisitions, ABG invited Indie Brands to the Group through the acquisition of a majority stake in early 2020. Indie Brands, which is known as a specialized spirits distributor in the London area, has allowed intensifying ABG's presence in the UK market, especially within the on-trade segment.

Considering the current trends and growth potential of the Tequila category, in 2020 ABG also made significant investments in the acquisition of a 220-hectare blue weber agave plantation in the Tequila region, Mexico. Currently, agave plants are one to three years old and need attention and care to continue growth. This investment will ensure we have full field-to-bottle control over production of our top-quality tequilas, will increase our competitive advantage in the future, and will provide high-quality raw materials for our tequila producer Fabrica de Tequilas Finos in Mexico.

Innovation as a response

No doubt, restrictions imposed by national governments worldwide to fight against the global Covid-19 pandemic during spring 2020 brought us to a new reality – closure of the on-trade sales segment, which affected our sales volumes for core brands. These circumstances pushed us at ABG to review the business principles we have used so far. To this end, we have actively been working with our customers, suppliers, governments and society to define new opportunities and maintain the positive development of ABG.

In the new market circumstances, we have been actively working to increase our presence in e-commerce channels: new specialized web stores in the Baltics have been launched, we have secured listings of Rooster Rojo® tequila, Riga Black Balsam® and Cross Keys Gin® with Dan Murphy's in Australia, started cooperation with Ocado, one of the largest e-commerce platforms in the UK, as well as worked closely with Amazon in the UK market. We believe that the e-commerce channel will continue to grow in years to come, thus we have set a good foundation for our e-ambition to get closer to our consumers wherever they are.

As a direct response to the global pandemic, we have started the production of sanitizers Virudes®, Sterigel® and Desopind® in the Baltic market to meet the extremely high demand for these products.

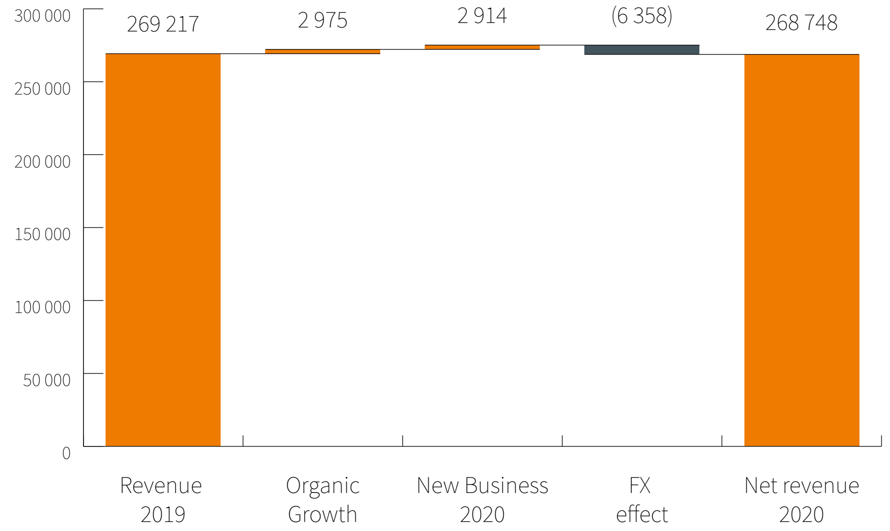
We have implemented cost reviews and optimization programs and become a leaner organization. With the assistance of national governments through furlough programs and subsidies, we have secured jobs for our people, with the result that as of 31 December 2020 ABG is a fully operational leading producer, distributor, logistics service provider and retailer of beverages with 1 966 employees on board across the world.

We have continued investments in automation of our business processes

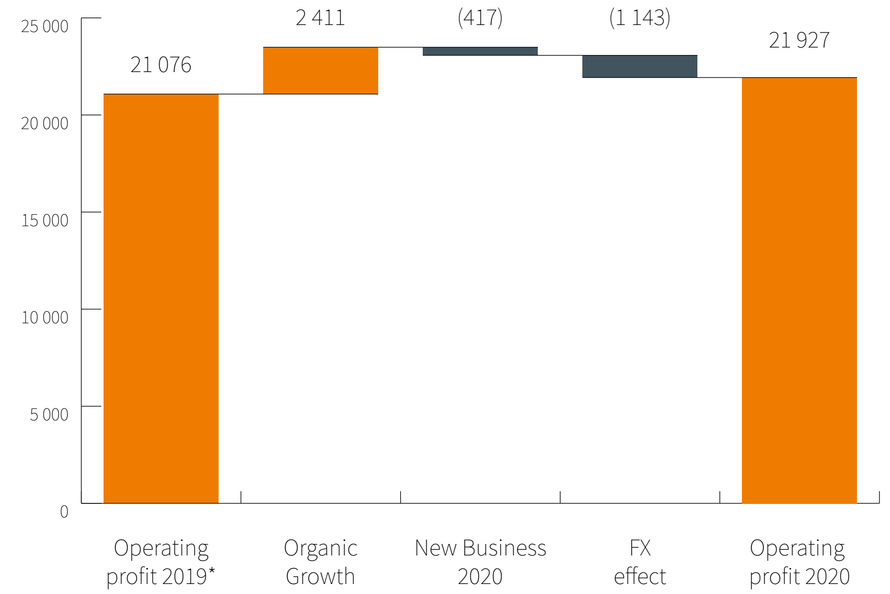
We have continued investments in automation of our business processes, i.e., further application of RPA (robotics process automation) tools in cooperation with Kryon and introduction of the OCR (optical character recognition) technology together with ABBYY, which allowed us to move closer to the paperless office concept. In 2020 we made a big step towards electronic data exchange with our customers, making cooperation faster, less time-consuming and more sustainable.

Better financial performance despite market headwinds

The global pandemic has not spared the financial markets: foreign exchange rates suffered heavily in March 2020, which also had an impact on the financial results of ABG. However, careful revenue management helped achieve net revenue of EUR 268.7 million, which is at the 2019 level, while volumes have decreased by 8.4% to 15.2 million 9Lcs.



Operating profit has had a nominal 4% year-on-year growth rate and reached EUR 22 million. The increase in operating profit through organic growth is 11%, while revenue has increased by 1.1%, thus demonstrating the positive effect of internal restructuring measures applied within the Group and leaning operations.

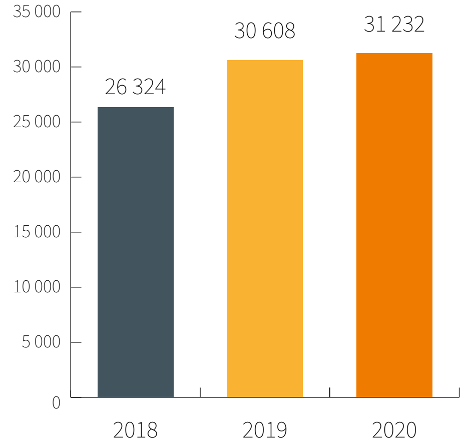


* The reported operating profit of EUR 16.5 million has been normalized by adding back an impairment loss of EUR 4.6 million recognized in 2019

Other performance indicators are continuously showing positive trends. EBITDA has increased by 2% to EUR 31.2 million, the EBITDA margin has risen to 11.6% and EBITDA per head has increased to EUR 15.9 thousand, which represents a healthy 8% growth and is a result of efficiency programs implemented by our production and distribution entities.

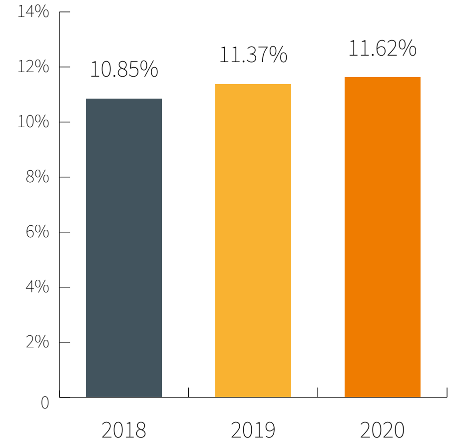
The ROE ratio has decreased to 6.9%, mainly due to negative impacts of the unrealized foreign exchange loss recognized and derived from the depreciation of the Russian ruble, the Mexican peso and the US dollar against the euro since March 2020.

EBITDA (adj), kEUR



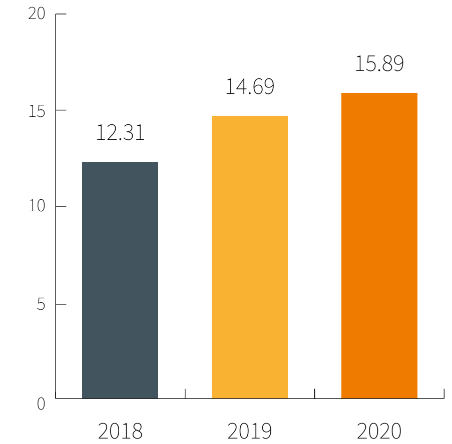
* EBITDA calculated as earnings before interest, tax, depreciation and amortization and adjusted for one-off items

EBITDA (adj), margin, %



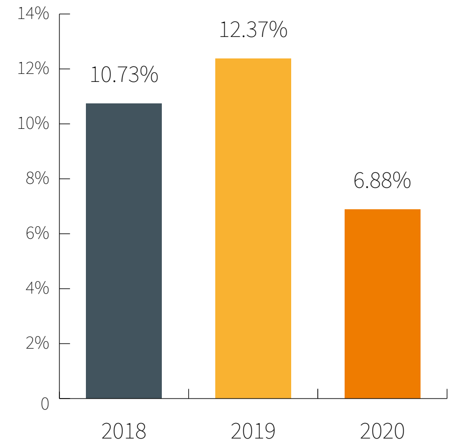
* EBITDA margin calculated as EBITDA (adjusted) to net revenue

EBITDA (adj) per head, kEUR



* EBITDA per head calculated as EBITDA (adjusted) to full-time equivalent employed

ROE, %



* ROE calculated as a net result to equity

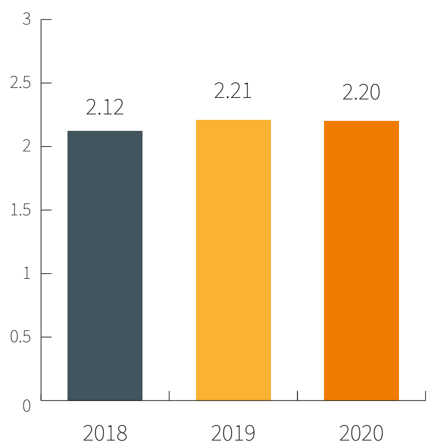
Strong cash flow ensures stability and flexibility

Over the year, we maintained cooperation with lenders in a way that enabled us to keep financing costs at a low level with an effective interest rate of 3.7%, which is important for the Group, whose net result is negatively influenced by foreign exchange risk arising from out-of-euro-zone currencies (mainly Russian rubles, US dollars, Mexican pesos, Australian dollars and pounds sterling). Net debt as of 31 December 2020 is EUR 65.9 million (a decrease by EUR 1 million from 31 December 2019).

Net Debt calculation at the end of reporting period	**31/12/2020 EUR 000**	**31/12/2019 EUR 000**	**31/12/2018 EUR 000**
Borrowings	67 734	66 852	60 661
Leases	6 517	8 238	2 863
Less Cash	(8 356)	(8 142)	(4 048)
Total Net Debt	**65 895**	**66 948**	**59 476**

The Group constantly monitors the net debt to EBITDA ratio, which has remained stable around 2.2x over the recent years, indicating additional borrowing opportunities to fund future investments.

Net DEBT to EBITDA



* Net debt to EBITDA is calculated as borrowings and leases less cash to EBITDA

Owing to the strong cash flow during the year, ABG could make use of the early payment option offered by some of our major suppliers to receive cash discounts. The cash pool allows our subsidiaries to share resources and makes it possible to manage our cash position in the most beneficial and profitable way. Financial stability has also allowed us to announce and pay out dividends of EUR 10 million.

Future outlook

In early 2021 we started work on an automated high-bay warehouse project and signed a EUR 15.5 million agreement with Jungheinrich, the world's leading manufacturer of warehousing equipment.

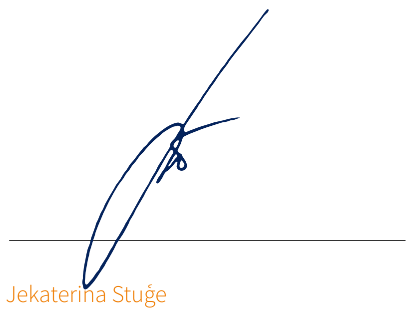
By expanding in the booming RTD (ready-to-drink) category, the legendary Riga Black Balsam® started to offer two RTD cocktails in a contemporary and sustainable format – cans. Furthermore, we have launched a newly designed Moskovskaya® Street hard seltzer in the trendy and fast-growing RTD category and are developing several new line extensions for other core brands.

With the purpose to strengthen the Group's position, worldwide recognition, and ABG's corporate identity, in April 2021 we have started the rebranding of our distribution companies in Australia, Austria, Germany, the UK, and Lithuania by introducing new company names: Amber Beverage Australia, Amber Beverage Austria, Amber Beverage Germany, Amber Beverage UK, and Amber Distribution Lithuania.

Overall, we will continue on the path towards reaching our ambition to become a Top 10 spirits company in the world.

Overall, we will continue on the path towards reaching our ambition to become a Top 10 spirits company in the world. This will be achieved through smart brand building, active management of sales channels, expanding our e-ambition, further investment in innovation, focused work on efficiency and effectiveness programs and capturing new new business opportunities. The future belongs to those who invent it!

I am thankful to all of you for being an integral part of our #ExtraordinaryEveryday journey and for your trust in Amber Beverage Group.



Jekaterina Stuģe

Chairman of the Board of Managers and Group Chief Executive Officer

Arturs Evarts
Group Chief Legal Officer, Compliance Officer and Supervisory Board Secretary

Compliance and Corporate Governance

Deliver. Strengthen. Achieve. Build. Generate.

Dear reader,

On behalf of the Board, I am pleased to present Amber Beverage Group's compliance and corporate governance report for the year 2020.

ABG is committed to conducting its business responsibly and in accordance with laws and regulations to which its business activities are subject and to ensure high standards of best practice and compliance in a manner that leads towards an increase of its value. Good corporate governance has a positive link to economic development and good corporate performance.

Due to the impact of the Covid-19 pandemic, throughout this year there has been a significant focus on being flexible, creative, innovative and compliant simultaneously and on ensuring that respective decisions are made in this regard. In my role as the leader of this process, I have benefited greatly from the teamwork and the great performance across different locations despite all the challenges.

Sustainable corporate governance and compliance are key factors in achieving goals despite external challenges. This includes ensuring the effective framework of internal controls, practices, policies and systems which together define clear levels of accountability and authority for decision making, enabling management to take appropriate levels of risk within an ABG culture and values.

Rather than formal document, this report will be a reflection of ABG's way of working and a journey through the year of 2020. Welcome on board!

Arturs Evarts

Group Chief Legal Officer, Compliance Officer and Supervisory Board Secretary
30 April 2021

The main pillars of ABG strategic activities are to:

Deliver quality and value to our consumers, customers and suppliers

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

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

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

Generate superior business value through relentless focus on performance

Compliance report 2020

ABG companies are determined to adhere to the applicable laws and regulations in force in jurisdictions where they operate, as well as to implement high standards of integrity in business transactions.

The alcohol industry is one of the most highly regulated markets, as the challenge for companies operating in such markets is to ensure they mitigate risks both within their corporate structure and across their higher risk third-party suppliers and partners.

ABC constantly monitors the conformity of its operations to the requirements of international, national, industry-specific and applicable foreign laws as well as internal policies and procedures, and with the decisions of relevant managerial bodies. We are building our business by placing the highest priority on compliance to fulfil our responsibilities in the best way possible and to meet the expectations of our clients and stakeholders.

We are sure that corporate compliance contributes to a sustainable business over the long term for the benefit of society as a whole.

During the financial year 2020, ABG has complied with various regulations and practices regarding social responsibility, relations with partners and commercial integrity. What follows are highlights of ABG's performance and compliance with certain areas.

Corporate Social Responsibility

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

Corporate Social Responsibility

Society

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

We see the minimization of potential negative effects of our products on society as one of our main social responsibility tasks; therefore, we educate society and consumers about responsible consumption of alcoholic beverages by participating in social education campaigns. We are offering our products on the market in a responsible manner and we set clear marketing guidelines, which are aimed at consistent compliance with legislative requirements. In 2020, no violation was recorded by the Group in product communication.

It is important for our employees to be aware that we are a socially responsible company and provide support to those who need it. Globally, we follow the tradition of supporting a social project in the country where one of the Group companies is located. For example, last year, our colleagues helped to repair the roof of a primary school in Mexico so that children can learn in a cosy and warm atmosphere.

Several of our companies support educational institutions, where future industry specialists are trained, offering internship opportunities to familiarize them with the specifics of our business. Last year we awarded scholarships to specialists of engineering and new food technologists, thus strengthening the growth of future industry experts. In 2020, we supported talented students who have limited resources to start their studies, as well as supporting talents in music, culture and sports.

For several years ABG has been the platinum sponsor of the world-class Riga Jurmala Music Festival. During this event, visitors could see the city through the lens of classical music, listening to the programs of the world's best classical musicians. Due to Covid-19, the festival season was postponed to the following year, carrying out only online masterclasses to Latvian and Baltic students and ensuring digital musical enjoyment: ensuring programmes which had been planned to be performed, played during the festival's specially-organised Musical Soirees.

This unusual format of events took place in the open air – in Riga parks, streets and industrial zones. In the cycle of nine events, which took place in July and August in the cities of Riga and Jurmala, gathering people from Latvia and abroad, the listeners were able to enjoy unusual musical evenings. During the evenings, recordings of concerts that did not take place, were creating the feeling that the melody originates in the city, its parks, trees and bushes, which created an unprecedented musical experience. The enjoyment of the audio concerts was complemented by light projections, visualizations and premium beverages.

Environment

We continuously work to ensure a responsible approach to environmental issues.

When modernizing production processes and buying new equipment, we always consider the compliance of new equipment with environmentally friendly solutions and this supports our decision making. The equipment purchased in 2020 promotes lower energy use, thus reducing our environmental footprint. The majority of ABG production companies use water from artesian wells that are located in their territory. Also, where possible, we are trying to meet our electricity needs from renewable sources. ABG companies conduct CO2 emissions controls. In selecting the packaging of our products, we prioritize environmentally friendly solutions that are commensurate with the requirements of production processes.

We assume responsibility for waste management, regularly delivering scrap paper, scrap metal and environmentally dangerous waste for recycling. In 2020 Latvijas balzams has begun filling its popular RTD cocktails in 330 millilitre cans. The new packaging of Riga Black Balsam® black currant and cherry-flavoured cocktails is gradually rolling out to markets replacing cocktails in glass bottles. In the new format, these beverages will be more convenient to use, as well as more environmentally friendly. Glass waste, when released into the environment, cannot decompose even over a million years. Metal cans can be sorted and are biodegradable over several years.

We believe that nature and the environment are the foundation of future generations. Last year ABG together with its Australian arm, Think Spirits, donated $100 thousand the World Wide Fund For Nature WWF-Australia to ensure the rescue and recovery of thousands of koalas who suffered in the catastrophic bushfires in Australia over the year of 2020. ABG considered it is important to ensure the koalas impacted by the fires can receive urgent and vital veterinary care on the ground, and at scale, across Australia. It's estimated that more than 8 000 koalas have perished in fires on the mid-north coast of NSW whilst Kangaroo Island in South Australia has lost over 50% of their koala population. The donation helped to provide food and water for those koalas who were starving in bushfire impacted regions. This was a devastating blow for an iconic species already in decline. This period was difficult for many families in Australia. The loss of human life, wildlife, homes and bushland has been extremely difficult to comprehend. Happily, none of the ABG family directly suffered from the fire.

Work Safety

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

At ABG, we respect the principle of equality and diversity. We care for the workplace environment of our employees; therefore, several offices and production facilities were improved last year. To have healthy and work-capable employees, in 2020 we spent significant financial resources on employee health insurance, mandatory health checks and accident insurance.

Employee safety is one of our priorities. The company ensures regular awareness-raising and educational activities for staff, for the purpose of which various materials are prepared and briefing and training sessions are organized. Employees are constantly reminded not to come to work sick. Staff are also regularly reminded that they must use appropriate workwear and personal protective equipment and observe hygiene requirements. The company also regularly reminds employees about reporting of near misses.

Working areas have all required warning and information signs, all necessary tools and equipment, etc. The company monitors the workplace environment on a regular basis by conducting audits and checks.

The rapid spread of the Covid-19 throughout the world has affected several companies and at ABG, we have set up a crisis management team to provide up-to-date information to employees. In the context of the global Covid-19 situation, remote work for employees has been organized and a Remote Work Policy has been adopted. All ABG employees have been acquainted with this and it was implemented in all ABG companies, which allowed the employees to stay safe and continue performing their everyday duties either remotely or on premises. For employees in production and logistics regular Covid-19 tests were ensured; the work was organized in two shifts that doesn't meet; needed individual protective equipment was ensured.

Quality

We sustain and grow the reputation of our brands by delivering the highest quality standards in all parts of our business.

We constantly aim to ensure that the quality of our products is of the highest standard and seek to improve at every opportunity. We achieve this through continued investment in production upgrades and the application of modern technologies in product quality evaluation. Our production processes are carried out in accordance with the Quality Management Manual developed by our production companies. We work with the ISO 9001:2015 certified manufacturing control system, affirming the compliance of production processes with international requirements. We have developed, implemented and maintained the self-controlling system according to HACCP production principles to ensure the compliance of products with the European Union and other special market requirements.

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

At our Customer Service Center ensure an instantaneous feedback link from consumers, processing complaints, suggestions, reviews or simply questions and forward them to relevant Group's specialists. All viewpoints expressed are regularly analysed, and data are compiled for a customer and consumer satisfaction index.

Talent

The Group's success depends on the skills of key personnel and its ability to retain such personnel.

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

As a member of local professional associations, we are up to date on the latest employment trends within markets. The Group pursues a remuneration policy aiming to retain, motivate and attract key personnel. Every other year we participate in reward surveys, provided by leading reward consulting companies, to receive remuneration benchmarks for each market we operate. As a matter of routine, we review team performance and individual performance and successful fulfilment of KPIs.

Talent development is important at ABG, so employees are encouraged and supported to develop in their career by learning new skills and challenging themselves to grow into new positions. We promote their development, either through training focused on job-specific skills or by means of personal development and/or coaching.

The Group invests in professional, business and competence development and training across all levels of Group companies' organization and in clever recruitment to ensure that the best talents are approached, and employee turnover is as healthy as possible.

Our values – Tenacity, Entrepreneurship, Fun, Excellence, Speed, and Teamwork are the core of our organizational spirit. Value week, organized for five consecutive years in order to share, strengthen and develop the understanding of values, has become a notable event within the Group.

In order to make the everyday business even better and to motivate our employees, we truly care about work conditions that motivates our talents. Therefore we have carried out several repairs in existing offices or have reallocated several teams to new and modern facilities. For example, ABG moved to new modern offices in the UK, which are more convenient and placed in a strategically more comfortable area. Meanwhile in Latvia employees are looking forward to moving to possibly the best offices in the country – the A Class offices placed in the Z-Towers complex, which currently is the tallest high-rise building in Riga. It has a strategic location - a prestigious area on the banks of the river Daugava, opposite Old Riga.

Market

Amber Beverage Group responds to consumer needs and preferences.

We follow the principles of ethical marketing communication and observe all current legislation regarding marketing communication and advertising in 185 markets where ABG is present. We implement fair partnerships with our business partners and a transparent purchasing policy by demanding from suppliers conformity with the highest quality standards, in addition to which we follow Anti Money Laundering and Sanctions requirements according to the relevant internal procedures. No violations were recorded in 2020. In cooperation with suppliers, we followed the company's Anti-Corruption Policy and Procurement Procedure; no violations were recorded in 2020 too. We implement responsible, planned cooperation with the distributors of our products, guaranteeing the quality of production and doing business according to statutory requirements.

In response to the situation with Covid-19 and demands of the society and the market, ABG began production of hand sanitisers: Virudes® in Latvia and SteriGel® and Desopind® in Estonia. The hand and surface sanitisers were created based on the World Health Organisation's recommended formula to help deal with the shortage of disinfectants.

ABG made the product available to major retail chains and also produced enough to supply hospitals and other institutions where hand sanitiser supplies were needed.

The pandemic has completely reshaped consumer buying behaviour. Consumers have seen the light and the convenience of ordering drinks online and getting them delivered to their door. E-commerce became a priority for our teams and we launched our own e-commerce platform in the Baltics and ensured availability of our products through global e-commerce platforms in other markets. We plan to develop our own platform of global scale during 2021.

To ensure exceptional field-to-bottle control over its tequila production, ABG acquired agave fields in the Los Altos de Jalisco region in Mexico. The 220-hectare fields are filled with one to three year-old agave plants.

Having our own agave fields demonstrates our commitment to expanding our presence in Mexico and to growing our share of the global Tequila market overall. In five years, we will be able to supply our own brands with enough blue agave raw material to ensure the production of our tequilas and even broaden our services for private label projects.

Economy

We actively participate in the development of the local business environment.

Some of our companies are among the largest taxpayers in the country, having paid several million euros to the state budget. In conducting our operations, we cooperate with state oversight institutions. In cooperation with several organizations, the company supports initiatives that are aimed at reducing the proportion of the shadow economy in the alcohol industry, developing a sustainable tax policy, and establishing a competitive business environment, etc.

We are active members in national associations of:

- Producers of alcoholic beverages in Latvia, Russia and Mexico
- Entrepreneurs, employers and investors in Latvia, Lithuania, the United Kingdom and Russia
- Retailers and distributors in Latvia, Lithuania, Estonia, Australia, Austria and the UK

Supply Chain

We care about each stage of the supply chain.

We implement fair partnerships with our business partners and a transparent purchasing policy by demanding from suppliers conformity with the highest quality standards, as well we are following Anti Money Laundering and Sanctions requirements according to the relevant internal procedures. No violations were recorded in 2020. In cooperation with suppliers, we followed the company's Anti-Corruption Policy and Procurement Procedure; no violations were recorded in 2020.

By performing our business in each stage of the supply chain, from farming and manufacturing to distribution and merchandising, we use tender processes. Some of the key benefits and advantages of the tendering process are as follows: tenders or bids are evaluated based on certain predetermined criteria, such as price, quality and value for money and the process of tendering helps promote a competitive market.

During 2020, 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. Due to the Covid-19 pandemic ABG also experienced issues on the spirit supply side, which we were able to overcome due to the teamwork and support from the companies of the Group. ABG focus is on uninterrupted deliveries of packaging and raw materials, keeping stock levels as low as possible. Overall, ABG keeps track of and compares market prices of raw materials and services, to be competitive and manage pricing fluctuations.

It is very important for us to ensure efficient cargo and pallet supply of our products our partners in over 185 countries and to maintain the speed of development of investment projects which are characteristic of our company. Thus, ABG decided to build its own fully automated high-bay warehouse. The biggest part of our investment will be in hi-tech equipment, once again confirming ABG's ambitious plans to become one of the Top 10 most influential and modern spirits industry players globally. The high-bay area of the automated warehouse does not require the presence of employees and all processes will be undertaken by automation. The total height of the warehouse will reach 24 meters, where pallets will be placed on top of each other on shelves on nine floors. The company's current warehouse capacity is 25 000 pallet sites, while the new warehouse will be able to store 35 000 pallets at a time, expanding the warehouse capacity to 45 000 pallet sites if necessary. With the launching of the new warehouse, it is planned to merge the three existing ABG warehouses with the planned flow of the new warehouse reaching 360 000 processed pallets or approximately 33 000 TEU per year.

Customers

Although we were facing a number of challenges, we are doing our best to ensure continuity of business and service for our clients. We are proud of implementing the 'Random Acts of Wowness' program in Australia designed to empower employees to bring moments of WOW to our customers, trade and the hospitality community to support them during these challenging times.

We believe that distancing ourselves does not mean we cannot help each other. During this initiative, we wanted to reach out to them and say thanks for all the support over the years and we felt it's time to pay this back with some 'Random Acts of Wowness'!

Creativity and Innovation

In 2020, ABG expanded to several new international markets and enhanced awareness of its core brands: Moskovskaya® Vodka, KAH® Tequila, Riga Black Balsam®, Rooster Rojo® tequila, Cross Keys Gin® and Cosmopolitan Diva®. Tambovskaya® Osobaya Silver Vodka and Tambovskaya® Pink Vodka will be available in Austria through the ABG-owned country-based distributor Mountain Spirits.

In 2020, ABG has implemented new brands, as well as performed line extensions of existing products. We continued to expand our premium gin portfolio with a limited-edition gin that honours its provenance and the craftsmanship of the Baltic States – Cross Keys Gin® Sea Buckthorn. By listening to our consumers and following the global trends in beverage development, we have created a Riga Black Balsam® with a gentle and refreshing taste of milk chocolate and sweet peppermint. We have also reduced the strength of the drink to 30% ABV, similar to our popular balsam with black currant and cherry flavours. In 2020, we have developed the most prestigious version of our famous bitter – Riga Black Balsam® XO, which is a unique blend of the legendary bitter, blended with super premium 8-year-old French brandy, packaged in an elegant hand-crafted bottle and premium gift box, with luxurious gold foil detail.

ABG has renewed its sponsorship of the Rooster Rojo J2-Racing motorsports endurance race team for the year of 2020. This will be the fourth year the brand has sponsored the team. The speed-loving team's car, a Mercedes-AMG GT3, has also had a dynamic re-design for this year's races, held annually at the world-famous Nürburgring track in Germany. Rooster Rojo J2-Racing is the name given to the team participating in the VLN and ADAC 24-hour endurance races, with our outstanding brand, Rooster Rojo® tequila – a premium 100% Blue Agave tequila, which shares the team's passion and willingness to always be first.

After the purchase of new equipment and the adaptation of technological processes at Latvijas balzams, we have upgraded our canning capabilities to a higher specification. In July we reached an agreement to produce our first product on this filling line – a soft drink Green Cola. ABG owned iconic vodka brand Moskovskaya® Vodka has designed a new Moskovskaya® Street hard seltzer inspired by the iconic Moscow Mule cocktail, canned at 4.5% ABV. Hard seltzers have experienced a rise and are expected to contribute to the fast growth in RTD consumption over the next few years.

Principal Risks

Principal Risks

Risk assessment is a systematic process of evaluating the potential risks that may be involved in ABG activities. It is applicable to all functions, in all types of affiliates (production, distribution, retail) in all countries where ABG operates. Risk assessment management drives better commercial decisions, creating a growing and sustainable business model.

The aim of the risk assessment process is to evaluate risk, minimize the level of potential impact of it by adding control and preventive measures, as necessary. By doing so, ABG can evaluate itself from a compliance perspective. An ongoing process has been established for identifying, evaluating and managing risks faced by the Group.

During the year, the Supervisory Board considered the nature and extent of the risks it was willing to take to achieve its strategic goals and reviewed the existing internal statement of risk appetite.

The Group has in place internal control and risk management systems in relation to the Group's financial reporting process and the process for the preparation of consolidated accounts.

ABG believes that the following risks are the principal ones that its business is exposed to. The steps taken by ABG to manage and mitigate these risks are listed below. If any of these risks occur in practice, ABG's business, financial condition and performance might be affected. Some of these risks are beyond the control of the Group and this list is not comprehensive, as other risks and uncertainties may arise in a changing business environment. For example, a year before, nobody could even imagine the changes that the global pandemic will bring. Risk management is a topic that is regularly discussed at Supervisory Board meetings.

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 operates in the global market, where there is a risk of local laws and regulations not being always fully transparent, can be difficult to interpret and may be applied inconsistently. Ongoing political tensions between Russia, the European Union member states and the United States are also creating instability throughout Eastern Europe.

Uncertainty regarding Brexit and further cooperation led to reviewing of labelling requirements and stock building practices. As a company placing products on the market in the UK, it was necessary to consider the steps to be taken to ensure compliance. Now that the post-Brexit transition period has finished, it is of utmost importance to ensure that we are now fully compliant in both territories, European Union and the UK, particularly so if regulatory requirements start to diverge over time.

We monitor and analyse economic indicators and consumer habits, which directly influence our product portfolio and new product development. About a half of our companies and countries, in which we are operating, are EU member states and, therefore, are subject to EU regulation. We monitor the economic conditions within the market, review our product portfolio and routes to the market and adjust our activities accordingly. We are looking for ways to diversify our market presence and look for business and investment opportunities outside Europe.

Consumer preferences

We develop a highly diversified portfolio of brands to ensure coverage of consumer occasions and price points. We systematically review emerging consumer and route-to-customer trends including potential disruptive technologies. We continuously assess the existing business model looking for optimization opportunities, business efficiencies and value-added investments.

In 2020, a different customer type has emerged with new behaviours and decision-making criteria driven by self-protection. Responding to consumer trends in the new reality, ABG made its best efforts to identify and subsequently satisfy them. Consumers have adopted new habits, being more focused on in-home experiences. Changes were observed in purchase priorities, as the HoReCa sector suffered dramatically, the new so-called 'Drink at home' and 'Ready to Drink' trends developed.

With Covid-19 reducing in-person interactions, along with a focus on personal safety, digital channels have filled the gap for customers. It was the turn of e-commerce, where being compliant with regulations and rapidly adopting the new implementations from the side of governmental authorities is extremely important. Also, consumers started spending less, and became more focused on price and value. ABG scaled up the production of low alcohol RTD products, and at the same time explored premiumisation. For example, Riga Black Balsam® XO, an extraordinary masterpiece dating back to 1752 with a unique blend with exquisite 8 year old French brandy, was launched in 2020.

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 loss of market share. Changes in the Group's distribution channels may also have an adverse effect on its profitability and business. The Group's revenue is mainly derived from a limited number of customers. The Group may not be able to maintain its relationships with these customers, or renegotiate agreements on favourable terms, or collect payments from some customers, which will affect its financial situation.

We continually evaluate our route-to-consumer and adapt our business model as appropriate. We cover directly traditional and small format stores and work closely with wholesaler partners. We trade across all channels and actively manage our profit mix. Also, key retailers bear notable risk. The share of key retailers like Rimi and Maxima delivers 15% of ABG businesses, while at the same time they are responsible for 50% of retail market in Baltics. Our broad distribution network enables us to limit the impact of key retailers on our current and future business.

Cyber threat

Cyber-attacks might result in financial loss, operational disruption, and reputational damage. Due to new trends in business and work environment, cyber threats became extremely topical during 2020.

We constantly focus on insider threats by tightening privileged access to critical applications. Mandatory e-learning and regular phishing exercises to global workforce help us to identify critical issues promptly so that we can develop the most appropriate action plans for risk mitigations. We engage experts to perform intelligence-led, proactive hunting and monitoring of threats. We use high risk market cyber stress tests addressing security gaps.

Data privacy

Non-compliance with data protection regulations may harm our reputation with consumers, customers and/or our people and may also result in a financial penalty of up to 4% of global turnover.

We have implemented a Global Data Privacy programme with global data privacy policy, training and communication. Regular briefings to the Board, Executives and other senior leadership on our General Data Protection Regulation (GDPR) Readiness Program are carried out. We perform Privacy Impact Assessments in key risk areas of the business concerning the proper use of data. We perform risk assurance at a market and global functions level. In 2020 we performed an internal audit, implemented document storage rules and reacted to market needs, making e-commerce routes compliant with GDPR requirements.

Brand Protection and IP

Look-alike products and brands, as well as counterfeit products are damaging brand equity and may heavy impact sales. Thus, we carefully evaluate the brands in the development phase in order to make sure that the brand would be trademarked and would therefore enjoy the protection granted under the respective regulatory regimes and protect business and intellectual property. We maximize the business' competitive position monitoring the competitive environment, in order to promptly identify possible unfriendly actions and counterfeit cases.

As some of ABG companies operate in the UK market, then we evaluated how intellectual property rights might be affected now that the UK has withdrawn from the EU and the implementation period has ended.

Taxes

Increase in taxes could adversely affect the demand for the Group's products, which is extremely sensitive to fluctuations in excise duties, since taxes represent the largest component of the sales price of alcoholic beverages.

Excise tax increases which are significant in our markets tend to have a negative impact our operations. Consequences of tax changes and resulting changes in buying behaviour are constantly monitored and market positioning is adjusted where necessary.

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.

The Group closely controls cash, future requirements for funding and the external market for financing. We undertake detailed reviews of both short term and longer-term liquidity requirements on a regular basis. We are confident that we have the appropriate processes and relationships in place to handle any unexpected liquidity problems and that we will continue to have access to required funding in the future.

The Group's strategy is to align of incoming and outgoing cash flows in country specific currency and all remaining agreements maximize in Group functional currency.

Major litigations and fraud

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

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

In 2020, after several years of legal proceedings between the leading alcoholic beverage producer in the Baltics, Latvijas balzams, and the association representing some minority shareholders, the court has rejected all claims against Latvijas balzams.

ABG emphasizes that the final court opinion in favour of the company reaffirms that it complies with all corporate governance and legal requirements, as well as fulfils the necessary obligations in cooperation with its shareholders.

Sanction regime compliance

Non-compliance with AML (anti money laundering) and sanctions could result in major penalties from state authorities. For many years we have been closely working with our clients and partners to secure effective and sustainable working relationships. At ABG, we are focusing on compliance with high standards and local regulations. We have adopted programs to manage various potential risks in connection with our business partners, including credit risk and Know Your Client (KYC) principle by performing AML and sanctions checks. In 2020 we were performing regular training of employees to make sure that they are informed about the latest KYC and sanctions requirements and follow the procedures.

Corporate Governance Report 2020

Corporate Governance plays an important role in maintaining corporate integrity and managing the risk of corporate fraud, combating management misconduct and corruption.

The Supervisory Board comprises its Chairman, Board members, Independent Non-Executive members and a Secretary. The main functions of the Supervisory Board are:
- To ensure corporate governance framework
- To provide strategic direction for the Group's development
- To provide expertise and guidance in relation to the Group's international operations
- To supervise key areas of the Group's operations, performance and compliance

All resolutions to be taken by the sole manager or the board of managers, as the case may be, require the prior approval of the Supervisory Board of the company.

From the members of the Supervisory Board a member who will preside at the Supervisory Board meetings (Chairman) and a Secretary are appointed.

Chairman

The duties of the Chairman comprise the following matters related to the Group:
- To lead and manage ABG's activities
- To develop a long-term strategy of ABG
- To determine and lead the expansion of the Group in the industry, entering new markets, effective use of synergies
- To manage Board activities, plan its work, chair meetings of the Board
- To lead the development plan implementation i.e., evaluation of potential alliances M&A
- To lead M&A processes, participate in negotiations with financial institutions and strategic partners to ensure sustainable development of the Company
- To provide entrepreneurial leadership
- To represent ABG externally
- To set requirements, according to the best world standards of corporate governance
- To protect the interests of ABG by working with other Board members to manage risk, liability and financial exposure

The Chairman's responsibilities cover the territories of all countries where the companies belonging to the Group conduct or plan to conduct business.

Secretary

The Secretary is a member of the Supervisory Board, with all respective powers with the exception of voting rights at the meetings of the Supervisory Board. Secretary's vote shall be not counted at quorum determination at the Supervisory Board meetings.

The functions of Secretary of the Supervisory Board are:
- To organize all Supervisory Board meetings
- To attend and record minutes of Supervisory Board meetings
- To facilitate Supervisory Board communications
- To advise the Supervisory Board on its roles and responsibilities
- To facilitate the orientation of new Supervisory Board members and assist in their training and development
- To maintain key corporate documents and records

Secretary is responsible for corporate disclosure and compliance with the country corporation laws, standards, reporting and compliance, monitoring corporate governance developments and assisting the Supervisory Board in tailoring governance practices, to meet the Supervisory Board's needs and shareholders expectations, to serve as a focal point for communication and engagement on corporate governance issues, performing other tasks.

Non-Executive Directors

The Non-Executive Directors, all of whom the Board has determined are independent, experienced and influential individuals from a diverse range of industries, backgrounds and countries.

The Non-Executive Directors lead the Board, keeping the members focused on the objectives, shaping the strategic agenda, and leading discussions as follows:
- Provide strategic leadership and guidance to the Board and to the CEO of the Group
- Determine the quality, quantity and timeliness of information from management
- Improve and maximize the governance of the process but not to manage the company
- Focus the Board's attention on critical issues and help to set a positive tone
- Contribute to the evaluation of the CEO, Directors and the Board
- Ensure effective shareholder communication
- Serve as a representative of the Board with management and the public

Board Attendance and Decision-making

According to internal regulations, the Board holds meetings at least once per quarter to discuss the business strategy of the Group and to review financial results. The annual financial results of the Group for the previous year are to be reviewed and approved by the Board in May. The intermediate financial results and possible adjustments of the budget for the next year are to be reviewed and approved by the Supervisory Board in November.

Regarding new challenges in everyday organisations and a lot of restrictions, new decisions were adopted. Being flexible and ready to adapt to the new reality, the regulations regarding decision-making and participation in the meetings were amended. In 2020 during the meetings of the Board, 18 decisions about key matters were made.

From 2020 all the members may participate in the Supervisory Board meeting by any suitable telecommunication means. Written resolutions, drafts of resolutions, decisions, minutes, as well as any and all documents related to the meeting may be transmitted by ordinary mail, electronic means, or any other suitable telecommunication means. In such cases, written resolutions can either be documented in a single document or in several separate documents with the same content.

In order better to assess the impact of the Covid-19 pandemic, to make well-informed and timely decisions and to provide strategic guidance on how the pandemic might impact ABG's business and operations, to focus on the impact of the pandemic, the Board met virtually, using audio-video conferencing, to enable Board members located in different countries and time zones to participate in meetings. The agendas for these additional meetings were dedicated to providing the Board with the latest information on government containment measures taken or likely to be taken in various countries, including lockdowns, trade restrictions and closures, changes in macroeconomic activity, including consumer behaviour and trends over the short and long terms, and scenario planning for the potential impact on ABG's business and that of our direct and indirect customers in different markets.

Decisions were taken to manage the company's liquidity, including reducing discretionary expenditure, monitoring working capital, launching debt issuances, to address changing consumer behaviour, including significantly decreased sales in the on-trade but increase sales in off-trade and e-commerce channels. It was therefore essential for the Board to ensure that the workforce was protected through appropriate safety measures across all production, distribution, retail and office sites, including increased sanitation measures, safety equipment and restrictions, including office closures and working from home where possible.

Our Brands

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

Brand Portfolio Management

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

2020 has been a demanding year for the industry, because of the pandemic on-trade has been effectively closed for over eight months, ABG has therefore pivoted the focus of its core brands Moskovskaya® Vodka, Riga Black Balsam®, Rooster Rojo® tequila, Cross Keys Gin®, and Cosmopolitan Diva® to the off-trade and online channels.

With the ambition for Moskovskaya® Vodka set to deliver 1 million 9L cases in the next five years, Moskovskaya® has moved into the Hard Setzer category. The timing could not be better with the increase of at-home consumption, the single serve cans were a welcome addition to the portfolio. Hence the brand plans to keep expanding in the RTD range in 2021. During 2020 Moskovskaya® has made a point of becoming a first-class e-commerce player, signing off a multi country agency deal with Amazon.

In Tequila we had a new brand joining the ABG core brand line-up: KAH® Tequila. The new packaged KAH® was launched in the USA and achieved over 3.1k 9Lcs in Q4 achieving immediate success. Moreover, ABG has finalized the purchase of its own agave fields, which obviously means that the tequila brands of ABG like Rooster Rojo® tequila, KAH® Tequila, Don Camillo®, Zapopan® and others will only become more important for the bottom line of the company. To support the growth in the USA, the main Tequila market of the world, a new ABG Brand Director was added to the team at Strategic Marketing Department.

The continuous organic growth of Riga Black Balsam® is on track by growing its profitability base. In 2020 we launched Riga Black Balsam® Chocolate and Mint and Riga Black Balsam® XO adding two new successful line extensions to the brand. Last but not least, Riga Black Balsam® entered the canned RTD segment.

Attractive Brand Portfolio Across Key Categories

Leading International Brand Lines

Leading Category Brands

Vodka

Tequila

Brandy

Rum

Cofee liqueur

Cider

Leading third party brands

Riga Black Balsam®

The legendary herbal bitter Riga Black Balsam® is probably the oldest living bitter brand in the world, with a history of craftsmanship dating back almost 270 years.

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

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

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

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

Today, this brand line is built around six bitters – the original Riga Black Balsam® and its contemporary flavoured variations, Riga Black Balsam® Black Currant (the original recipe is enriched with black currant juice), Riga Black Balsam® Cherry (enriched with cherry juice), Riga Black Balsam® Espresso (enriched with the extract of coffee beans and cinnamon), Riga Black Balsam® Chocolate & Mint (enriched with chocolate and mint flavours) and Riga Black Balsam® XO (blend with exquisite French brandy and cask matured).

Probably the oldest bitter brand available
Crafted with passion since 1752

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

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

All-natural ingredients
No colourants or flavours added

Secrets of master craftsmanship
Single-barrel infusion technology

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

Recognition of quality
Over 100 top international awards and counting

Riga Black Balsam®

Performance

- 136k 9Lcs of Riga Black Balsam® sold
- Strong +8% brand profitability growth (per 9Lcs) vs. 2019
- EUR 14.5 million revenue from brand sales
- Sold to more than 20 markets worldwide with strong sales increase in Ukraine, US, Israel, Belarus and the UK
- Brand portfolio expanded up to six different flavours
- Riga Black Balsam® XO was named as one of the most innovative launches of 2020, by The Spirits Business
- Brand successfully entered global RTD cans market

Māris Kalniņš,
Global Brand Director

"2020 was a challenging year for the legendary herbal bitter Riga Black Balsam, showing total volume decrease compared to 2019. Results were primarily affected by the global pandemic and following market lockdowns – decrease of incoming and outgoing tourism from its home market Latvia; border closure, affecting cross-border sales and lockdown of Global Travel Retail.

Despite the challenging global spirits market situation, we have managed to secure an 8% increase of brand profitability (per 9Lcs), by expanding brand portfolio with profitable line extensions, by entering new categories and brand footprint expansion in export markets.

Riga Black Balsam is continuing to increase its business in export markets: the US, through a new importer and wholesaler Espiritus Group, the UK, Ukraine, Israel and Belarus. The opening of new markets, entering new categories and launch of new limited offers will ensure growth for the future.

2020 was a very successful year for brand portfolio development. At the beginning of the year Riga Black Balsam XO was launched – a super-premium version of the legendary herbal bitter that was named as one of the most innovative launches of 2020 by The Spirits Business, and well-received by consumers in the Baltics and Global Travel Retail, followed by Riga Black Balsam Chocolate & Mint launch in the fall and entry into global RTD cans market with two excellent Riga Black premium cocktails – Black Currant and Cherry."

Moskovskaya® Vodka

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

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

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

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

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

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

Highly acclaimed quality
Recognized by experts in numerous global competitions

Moskovskaya® Vodka

Performance

- 324k 9Lcs sold in 2020
- Over EUR 7.9 million generated from brand sales
- Available in 81 markets worldwide

Pepijn Janssens,
Group Chief Marketing Officer

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

The year of 2020 was spent continuing shifting Moskovskaya's creative direction by revamping its bottle design and creating an exciting marketing campaign celebrating its pioneering spirit. The Green Is An Attitude campaign brought new life into the brand to communicate a premium, modern drinking experience to consumers whilst retaining the core values of Moskovskaya's Russian authenticity and heritage.

Our ambition to become a 1 million 9L cases brand remains true and with the appointment of a USA importer we took yet another step towards our 5-years goal. After appointing Blue Spring Imports to distribute Moskovskaya in the US, we have successfully introduced Moskovskaya's new bottle design to the US market, the first redesign since 2012, as part of Moskovskaya's global marketing campaign.

Also, one of our latest innovations, Moskovskaya Pink Vodka, secured several important listings throughout the world: it is now listed in one of the biggest UK's online stores, Master of Malt, as well as in Alko – an independent company owned by the Finnish State which has a distribution network of over 350 stores and over 60 pickup points, covering the whole of Finland. Additionally, Moskovskaya Pink is listed in two Portugal's biggest retail chains.

In 2020, the brand took its brand ambassador program online and educated over 1000 people while being locked up at home. With an increase of at-home consumption and shopping online Moskovskaya has pivoted into a first-class digital brand, with a single serve Hard Seltzer SKU to lead the charge."

Cosmopolitan Diva®

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

Cosmopolitan Diva® was launched successfully in Asian markets to become an exclusive drink in top level clubs, later expanding in the Baltic markets to become a Top 3 successful launch and No.3 sparkling in one of the markets (AC Nielsen). Building on this success, the brand was further launched in other export markets including the US.

The first ever gold filtered sparkling wine
Delivers a round, smooth taste Inspired by the emerging fusion trend

Fusion drives the growth of light beverages globally
Unique fruit-flavoured sparkling indulgence

Natural fruit juices and refreshing flavour
Award winning design and varieties

Recognized and appreciated by customers
Changing consumption habits – a new favourite low ABV and alcohol-free versions

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

Cosmopolitan Diva®

Performance

- Close to 100k 9Lcs sold in 2020
- Re-entered China market with a new distribution partner
- Growing volumes in multiple APAC markets as well as EMEIA
- Outperforming category trends in home markets

Evija Sparāne,
Global Brand Director

"2020 was a challenging year for Cosmopolitan Diva and the sparkling wine category as such. With the close of the on-trade, restrictions impacting social gatherings and consumers finding fewer occasions to celebrate caused the sparkling wine category to decline by even more than 30% in some of our core markets. Nevertheless, Cosmopolitan Diva "held its head up high" and ended the year with much better results than anticipated considering the category performance. We fell just a little bit short of repeating the results of 2019 exceeding 100k 9Lcs, I believe it is quite an outstanding result to achieve during a year ruled by the global pandemic and it shows very well that we have built solid brand equity over the last couple of years.

During the year we continued to strengthen our distribution by appointing new partners in Finland and rearranging our route to market in the US by appointing Premier Innovations Group as the sole importer. Moreover, we re-entered China with a new distribution partner and are already impressed by their passion and dedication to making this brand successful. Besides the re-launch in China, our performance in the Asia Pacific has been exceeding expectations, especially in Thailand, Taiwan, and Hong Kong. Also, EMEIA contributed a lot to powerful performance in 2020, exceeding the results of 2019 in markets like Israel and Denmark.

I feel a lot of excitement knowing our long-term plans for Cosmopolitan Diva, we will confidently step up our game in upcoming years to release its full potential. Without revealing too many details yet, I would like to only mention that expansion into the single-serve category, new markets and design updates are just a few of the projects to be rolled out."

Rooster Rojo® tequila

Straight from the UNESCO-protected tequila producing region, Rooster Rojo® tequila is a great example of outstanding craftsmanship and Mexican-spirited design. The red rooster, a well-known symbol of Mexico, is a natural choice for creating a strong and memorable brand name and testifies to the brand's ambition to become one of the world's leading premium tequila brands.

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

Superb 100% agave tequila
Received 27 international awards for its exceptional taste

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

Exceptional packaging
A tall craft bottle with vintage cork stopper

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

Unique brand experience
For discerning consumers who recognize the difference

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

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

Immediate international success
Awards received in 10 competitions in a row, in each contest where the brand was presented

Rooster Rojo® tequila

Performance

- 6.5k 9Lcs of Rooster Rojo® tequila sold
- Only slight decline vs. 2019 sales despite on-trade losses
- Over EUR 1m revenue from brand sales
- Sold to 24 markets worldwide

Mantas Zlatkus,
Global Brand Director

"Rooster Rojo tequila had a relatively good year despite the global challenges and the brand managed to maintain sales at almost the same level as in 2019. Sales results were highly impacted by the fact that the brand was sold in the majority of the markets through the on-trade segment, which was closed for the biggest part of 2020 in almost all the markets. However, we managed to compensate these losses through the off-trade segment: supermarkets and specialized alcohol stores via expanding brand distribution, and introduction of new products like VAPs; also investing in additional visibility and activations. We expanded the brand's presence in online retail through our e-commerce partners in Europe, the USA and Australia.

The biggest growth of the brand was achieved via our own distribution companies in the Baltics and Australia. The biggest market in terms of sales in 2020 was Australia. The brand is now available through Australia's premier liquor merchant, Dan Murphy's. Amber Beverage Groups' Australian arm Think Spirits secured a listing for Rooster Rojo tequila with Australia's biggest alcohol retailer. The premium retailer stocks all three SKU's of Rooster Rojo tequila (Blanco, Reposado, and Añejo) through its growing online business and has listed Rooster Rojo Blanco across all of its physical stores as well.

An important agreement was signed with one of the leading beverage distributors in Mexico, Bodegas La Negrita (BLN) for the distribution of the brand nationwide. Strengthening our presence in Mexico is one of our key focuses for the years ahead, and we look forward to working with BLN to help us do so.

The first Rooster Rojo delivery was made to Spain, which is the No.3 market in Europe by volume for tequila. Rooster Rojo will be represented by brilliant industry experts and one of the leading alcohol distributors in the country – Varma.

In terms of online activities in 2020, we once again doubled our social media following on both Facebook and Instagram. Stories and interviews with adventurous people, various cocktails and videos on how to make them were the main content axis throughout the year.

It was also a year of preparation in terms of Innovations development. In 2021, some great novelties will be presented for the global tequila connoisseur's discernment. And like our master distiller Arturo Fuentes says, we cannot wait to get first reactions to what we managed to create throughout the year. One is clear that it will not leave consumers indifferent and we expect some great reactions and excitement from them."

KAH® Tequila

KAH® is a super-premium tequila made from 100% hand-selected blue agave. Over the years the quality of this tequila has been recognized by industry experts and reflected by numerous international awards.

While what is inside the bottle speaks for itself, what really stands out about KAH® is the packaging rooted in the more than 3000 years old Mayan ritual. We know it today as Dia de los Muertos (Day of the Dead) – a colourful Mexican holiday. Instead of mourning and sadness, it celebrates the lives of the departed, seeing death as a natural part of life. KAH® (which translates to "life" in the ancient Mayan language) honours Mexico and its people, channelling the spirit of this joyful holiday and its famous imagery. The key element of the packaging, the skull, is inspired by calaveras – traditional colourfully decorated sugar skulls that symbolize death and rebirth.

The product range features three expressions: Blanco, Reposado and Añejo, each telling a story of different Dia de los Muertos traditions: the black & white bottle of KAH® Blanco is inspired by the macabre Bolivian tradition where the actual skulls of their loved ones are kept and brought out on November 8th of each year. After taking the skull to the cemetery, the skull is fed and given cigarettes and tequila. They believe that this act immortalizes the dead who, in turn, help to protect the living from evil spirits.

KAH® Reposado is in a yellow bottle inspired by the Peruvian tradition. In Peru, a dance to Satan is performed wearing long, dangling upturned crucifixes. It is believed that Satan leads this dance himself and the dance is done to honour the Devil. Tequila is poured on the ground as an offering to appease him and keep people safe.

The design of black bottle of KAH® Añejo is based by the Nicaraguan tradition of Día de los Muertos. In addition to the standard traditions of building a shrine and gift-giving, many people stay and sleep in the graveyard. They believe that this act reinforces the emotional connection between them and the deceased.

The finest art of tequila craft
Made by Master Distiller Arturo Fuentes – a biochemist who has been dedicated to the production of alcoholic beverages for forty-five years. He was part of the team that created the KAH® brand more than 10 years ago and today still makes sure it delivers exceptional quality tequila in every single bottle.

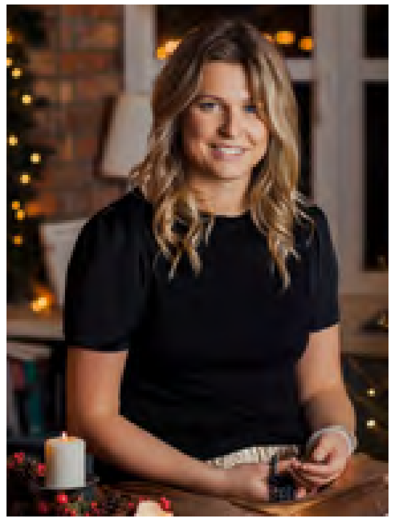
One-of-a-kind packaging and brand story
Designed to pay reverence and to honour Mexican culture and traditions.

Award-winning proposition
Recognized by experts in numerous global competitions and consumers across the globe.

KAH® Tequila

Performance

- Successfully relaunched in the US, the biggest Tequila market in the world
- First listings secured in Canada, another Top 5 Tequila market
- Established partnership in China with the ambition to become No.1 super-premium tequila in the market
- Completes ABG's tequila portfolio, now offering 100% agave tequila across multiple price points



Evija Sparāne,
Global Brand Director

"2020 was an important milestone for our company as it extended its tequila portfolio with KAH Tequila and is now providing a wide range of tequila brands for different price points. No compromises on quality – all our tequilas are made from 100% blue agave.

The biggest win of the year is the enormously positive feedback we got from markets regarding our new brick-shaped bottle. While for sure the skull-shaped bottle is iconic, and we see how well it resonates across many vastly different markets (for example China and the UK) and we were excited to bring its noble alternative to life in the biggest tequila markets (the USA and Canada), we were expecting some pushback from some of our loyal consumers. Nevertheless, the reaction we received was beyond positive as consumers appreciated the fact that we maintained the ceramic bottle while introducing a more modern and practical interpretation of the symbolic skull.

While our growth ambitions are focused on the Top 5 global Tequila markets, we do seek strategic partnerships elsewhere, one of the best examples being the launch of KAH in China. Our partner not only meets but exceeds our ambitions in the category and is set to make KAH the No.1 super-premium brand in this market. Despite the uncertainty 2020 introduced in our lives, KAH was successfully launched in off-trade as well as on-trade and has made the first steps towards becoming the top-of-the-mind preference of tequila lovers in China.

We have no plans to slow down in 2021, we will continue expanding KAH's global presence by launching it in even more markets and extending the KAH range by adding the Extra Añejo proposition. As the world is still very much shut down when it comes to travel and many kinds of social gatherings, our marketing efforts will focus on consumer engagement in the comfort of their own homes and online becoming an increasingly more important sales channel."

Cross Keys Gin®

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

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

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

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

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

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

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

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

Flavoured gins are on trend
Our purple and orange gins will surprise and be a revelation for the most experienced and demanding gin lovers and those who are not into traditional gins.

Cross Keys Gin®

Performance

- Gold awarded gin brand, launched in fall 2018
- Brand sales retained on 2019 level, despite the global pandemic
- 2k 9Lcs sold in 2020 with positive impact form new flavour launch and opening of new markets
- Presented in three different flavours (Original, Black Currant and Sea Buckthorn)
- Successful launch of Black Currant and Sea Buckthorn versions led to coloured and flavoured gin share increase from 19% in 2019 up to 41% in 2020
- Sold to more than 10 markets worldwide (launched in 3 new markets and strengthened positions in key strategic markets: Baltic States, the UK, Italy and Global Travel Retail)

Māris Kalniņš,
Global Brand director

"Despite the challenging year, we have managed to retain brand sales results at the 2019 level, with a positive development outlook for 2021. We continued to expand Cross Keys Gin footprint in export markets, strengthen off-trade distribution as well as develop product portfolio to correspond to global consumer trends.

The brand's largest markets are Latvia, Italy, the UK and Global Travel Retail. 47% of the total volume were sold in export markets (outside home market Latvia). In 2020, the brand increased focus on e-commerce to attract new consumers and to be more available, during the pandemic and other sales channel lockdown. Active e-commerce campaigns on Amazon Italia were launched, and listings were acquired with the the largest grocery retailers including Ocado in the UK.

Continuing to focus on the global flavoured gin trend and following the very successful launch of Cross Keys Gin Black Currant in 2019, a new flavour - Cross Keys Gin Sea Buckthorn, was launched in the fall of 2020. By the end of 2020, the Sea Buckthorn version was already available in five markets (reaching 5% from portfolio in just 2 months), with the largest of them being Latvia."

Regional Performance

Distribution

International

Performance

-18% Volume decline vs. 2019

24 New brand launches in 18 markets

10 New markets opened

Diversifying customer base

Results

Continued exploration of customer and consumer tastes has resulted in opening the doors in 10 new markets like Malaysia, New Zealand, Hungary, Tanzania, Belgium, Djibouti, Bulgaria, Cyprus, Slovakia and Moldova.

Keeping a strong focus on market entry with the ABG's core brands has resulted in 24 new brand launches in 18 markets, including Moskovskaya® Vodka in Finland, Hungary, Israel, Tanzania, Bulgaria and others, Riga Black Balsam® launch in New Zealand, Moldova and Slovakia. Rooster Rojo® tequila has successfully entered new markets in China, Taiwan, Spain, Belgium and Slovakia. KAH® Tequila management has been taken over globally and launched in new markets like the USA, China, Russia, Poland and others.

Market diversification has made it possible to minimise the impact of the halt in tourism in key markets like Spain, Italy, Portugal and GTR. While total net revenue declined by -24% vs. 2019, business outside of these four markets grew by +15%.

Moskovskaya® Vodka (volume -37%, value -42% vs. 2019) severely hit in core markets Spain, Portugal and Italy. Excluding these markets Moskovskaya's® sales have grown by 6% expanding to 8 new markets. Strong return in Canada (volume +20%, value +18% vs. 2019) and the USA which underwent transfer to a new importer. Moskovskaya® Pink Vodka was launched in 6 new markets.

Riga Black Balsam® (volume -40%, value -41% vs. 2019) is described by slowdown in Russia and GTR, while significant growth achieved in other key markets like Ukraine, Belarus, the USA and Israel, and expansion made to 3 new markets in 2020. Novelties like Riga Black Balsam® Espresso launched in 4 new markets, Riga Black Balsam® XO launched in GTR and Slovakia, and latest addition to Riga Black Balsam's® family, Riga Black Balsam® Chocolate & Mint, is now available in GTR.

Cosmopolitan Diva® (volume -16%, value +3% vs. 2019) volumes slowed in the US. Excluding the US, the total volumes have grown by +33% with main drivers in Asia (+52% in volume). New Cosmopolitan Diva® Tempranillo Rose flavour was launched in GTR and the US.

Rooster Rojo® tequila expanding to 5 new markets via continuous brand building activities.

KAH® Tequila management successfully taken over and launched in 8 new markets.

Development of portfolio

We have continued to expand our vodka portfolio to enable magnificent experience to our customers – launch of Tambovskaya® Vodka in the Netherlands and Slovakia, Riga Black Vodka® Cranberry in China, Israel and Ukraine.

Brand building

Our brand building activities in 2020 include increasing the brand awareness via eAcademy reaching hundreds of people in over 15 markets, off-trade focus and social media activation.

Baltics

Performance

No.1 Wine and spirits distributors in Latvia and Lithuania

18% Combined pan-Baltic market share

69 Own retail stores operated in Baltics

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

Amber Beverage Group's Baltic distribution segment comprises distribution companies such as Amber Distribution Latvia (ADL), Bennet Distributors (BD), Amber Distribution Estonia (ADE), Interbaltija (IB), and retail stores Latvijas balzams stores within ADL, Bravo Alco stores within BD and exclusive wine stores Vinothek Gourmet within IB.

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

Bennet Distributors is the No1. alcohol importer in Lithuania serving over 5 500 customers in its key accounts, HoReCa segment, and in traditional trade channels. BD has a well-developed distribution network throughout Lithuania with sales of more than 48 million bottles annually. BD runs a fleet of 30 trucks and vans and provides 14 000 m2 in the warehouse area.

ADE is a mid-sized, but competitive and dynamically developing player in the Estonian beverage market providing to customers a wide range of international spirits and wine brands. Being the fastest growing distributor of international spirit and wine brands in Estonia, Amber Distribution Estonia reached its highest annual sales record in 2020. The company serves more than 1 500 outlets across the country with a portfolio of more than 180 brands.

In 2020 provisional total volume market share is 18% (ADL 32.0%, IB 1.3%, BD 14.7%, ADE 4.8%) showing an overall increase of 0.2% in difficult market conditions while the market has contracted by 1.2%. Significant volume share is noted in brandy and cognac category (54.7%), whiskey category (33.3%) and RTD (ready-to-drink) category (32.0%) in Latvia, leadership of brandy and cognac category (34.1%), whiskey category (29.7%), and wine category (18.9%) in Lithuania, whiskey category (31.1%) and sparkling wine category (16%) in Estonia (source: AC Nielsen, IWSR, Internal data). In the Baltic distribution segment, the top performing volume categories in 2020 were Vodka reaching 773k 9Lcs (+12% vs. 2019), Wine 531k 9Lcs (+3% vs. 2019) and improved positions in Gin 16k 9Lcs (+8% vs. 2019), Rum 15k 9Lcs (+42% vs. 2019) with focus on the premium segment.

The beverage market in 2020 has been impacted by +11% increased excise tax for strong alcohol, by quarantine regime which enabled HoReCa sector full or partial lockdown for five months and prohibiting strong beer over >6% ABV volume in plastic bottles in Lithuania. In Latvia, excise increase of +5% has not had a direct impact on consumption, but rather taxation change for RTD category and Covid-19 restrictions of traveling made an impact on border sales and HoReCa channel that resulted in -7.2% decline of total alcohol market (-7.8% beer, -17.6% fermented beverages, strong spirit delivering +6.5% as per EGD). Estonia at the same time did not make any taxation changes but still benefited from a lower excise rate vs. 2019 and no consumers traveling to Latvia for cheaper alcohol. A negative impact also resulted from the absence of Finnish tourists. As a result, the total volume of alcohol sold domestically in Estonia changed as follows: spirits +11%, beer +5%; wine -1%; fermented beverages -11%, based on Ministry of Finance of the Republic of Estonia data. Still, the strong focus on revenue management, distribution of profitable brand portfolio and tailored distribution and marketing activities has contributed to an increase in net revenues in Baltic distribution companies by 1% in comparison to 2019.

Major Brands

Moskovskaya® Vodka (volume +12%, value +18% vs. 2019): Growth achieved through a focus on off-trade promotional activities and continuous innovation. Following consumer trends, Moskovskaya® Pink at the beginning of the year reached stores in Latvia and Estonia. At the end of the year, Moskovskaya® Ceder Nuts and Moskovskaya® Pepper were launched.

Riga Black Balsam® (volume -20%, value -23% vs. 2019): Due to the pandemic crisis and excise tax increase in Lithuania, the liqueur category, as well as Riga Black Balsam®, had a challenging year without tourists and HoReCa segment. However, at the beginning of 2020 Riga Black Balsam® XO, a blend of the brand's original bitter and a premium eight-year-old French brandy was launched and at the end of the year, new Riga Black Balsam® Chocolate & Mint flavour was successfully introduced in Latvia and Lithuania in November 2020 and resulted in sales of 2.1 thousand 9Lcs.

Cosmopolitan Diva® (volume -5%, value -7% vs. 2019): Outstanding performance in Lithuania (volume +16%, value +16% vs. 2019). Cosmopolitan Diva® performed very well in Lithuania due to great rotation on shelves in modern trade and traditional trade. High focus on brand awareness increase was the main priority using influencer communication, digital campaigns and off-trade activations. While being already a mature brand in the Latvian and Estonian market, it declined together with the sparkling category, which experienced a decrease in market share. Despite market conditions in Estonia, Cosmopolitan Diva® Non-alcoholic achieved volumes +13% vs. 2019 and Latvia successfully launched Cherry Blossom flavour in January 2020.

Zelonaya Marka (volume +16%, value +20% vs. 2019): Strong performance, off-trade activities and proper focus on brand positioning resulted in growth. Zelonaya Marka brand was in 2020 extended with a low ABV (29%) flavoured line in Latvia, Lithuania and Estonia. Zelonaya Marka is the No.1 imported vodka in Lithuania.

Jim Beam (volume +3%, value +3% vs. 2019): Since 2019, Jim Beam has been distributed at pan-Baltic level, therefore an increase in volume and value is mainly generated in the Lithuanian market. Depletions have increased by +16% and generated a +21% increase in revenue in the Lithuanian market. The strong market position in Latvia remains and Estonia has resulted in a volume increase of 28% vs. 2019.

Grand Cavalier® brandy (volume -4%, value +4% vs. 2019): Due to excise tax increase and Covid-19 crisis, Brandy category decreased so did Grand Cavalier® brandy. Changes in pricing and focus on off-trade activities in the second half of the year helped to improve results and secure a leading brandy position in Lithuania.

Jack Daniel's (volume +2.4%, value +4% vs. 2019): With the strong focus on off-trade activities, new global campaign launch, and capitalisation on high brand awareness and established brand image, Jack Daniel's became the No.1 whiskey brand by value. In September Jack Daniel's Apple was launched in Lithuania. It has already been nominated as the best launch of the year in spirits in Lithuania.

Online sales platform

Covid-19 has changed online shopping worldwide and ABG Baltic distribution units are no exception. During the pandemic, online consumption habits have changed significantly, with a greater proportion of consumers buying essential products, such as food and beverages. Therefore, Bennet Distributors has launched a new online sales platform www.bennet.lt. It offers a wide range of alcoholic beverages, outstanding wine collections and more. On the first day after Latvian legislation allowed, Latvijas balzams stores started beverage online sales at the e-commerce platform www.lbveikali.lv. E-platforms provide a user-friendly shopping experience without the need to leave home. In addition, the opportunity to represent and sell ABG assortment via external delivery online platforms (Wolt, Bolt) was quickly utilized. Along with e-commerce platform development, Latvijas balzams stores promoted and advertised core brands on social media that undoubtedly increased the visibility and distribution of core brands throughout Latvia.

New Product Development

During 2020, the Group continued the introduction of new products and proceeded with packaging renewal projects. Following the global market tendencies, Moskovskaya® Pink Vodka, Cross Keys Gin® Sea Buckthorn and Riga Black Balsam® Chocolate & Mint – the sixth version of Riga Black Balsam®, were introduced and well-received by the market. The sparkling Cosmopolitan Diva® Cherry Blossom with Sakura cherry flavour reached the customers, the slim can format was introduced for Black Balsam Currant versions of RTD, production of Green Cola in cans began at the premises of Latvijas balzams. Two new gin brands – Tulchan (SPI Group) and Roku (Beam Suntory), were launched in 2020 to fulfil the increasing gin trend. Japanese whiskies and new single malt brand Aerstone (WGS), Fruit wines Tovuz Collection from Uzbekistan were successfully launched in all Baltic countries.

Efficiency Achieved

In 2020, the newly launched online stores brought the customer experience closer to us and improved communication with our end customers. Especially in the Latvian market where the ban of internet sales for alcohol was lifted in May 2020 that opened broad opportunities for sales of mid-tier and premium drinks.

Baltic distribution companies in 2020 focused on maintaining the level of previous year costs by decreasing overheads and commercial and logistics expenses while heading for growth in top lines. They coped well with the challenges of the pandemic and quickly found solutions to manage the Covid-19 situation, prevent the spread of infection and thus ensured the safety and health of workers and smooth and successful operation of the company.

United Kingdom

Performance

48.6%	Gross sales generated by TOP 5 customers
80	Brands from more than 30 brand owners served
232k	Faustino sales, 9Lcs

Capitalising on off-trade and online channel growth while harnessing operational efficiencies

As with all hospitality-related sectors, Cellar Trends (CT) was also impacted by on-trade closures for most of the year. However, 2020 also unlocked significant opportunities in off-trade and online channels. In terms of volume performance, CT saw 42% growth vs. 2019 in the off-trade channel as a whole. The largest customer in the online channel – Amazon – grew 139% vs. 2019.

In off-trade, the star performer was wine; Faustino recovered from slower 2018 and 2019, reaching its second-best year ever in the UK market with 232 thousand 9Lcs sold in 2020 (46% of CT total volumes for the year). Bumbu Rum tripled its volumes in the channel, with Brockmans Gin (a new addition to CT portfolio in Q3 2019), Stolichnaya Vodka and Luc Belaire showing exceptional growth as well. All these brands grew ahead of the off-trade category growth.

Online was dominated by spirits brands – Brockmans, Bumbu, Luxardo and Stolichnaya, all achieved double digit growth in this channel. Notable brands joining the portfolio during the year were Beau Joie Champagne and Hardy Cognac.

Operationally, the business started to build capability across customer marketing to support engagement with shoppers whilst strategically targeting new brands for distribution. The process of integration into ABG systems, streamlining, automating and improving the company processes and harnessing the subsequent operational efficiencies was also continued. Preparation for uncertain Brexit outcomes continued throughout the year; the transition was successful with no critical disruptions to day to day operations.

The company's focus remains on driving profitability, developing the existing portfolio and acquiring new, must-stock, category-complimenting brands.

Core Brands

Stolichnaya Vodka: While the overall performance of the brand was heavily impacted by on-trade closures (especially the London nightlife scene for the more premium SKUs), there was notable growth in off-trade channel (a new listing for Stolichnaya Lime in Tesco) and online (128% growth for Premium and 102% for Flavours).

Faustino: With a strong grocery promotional plan in place throughout the year, Faustino was ideally placed to capitalise on the 2020 market situation. As a result, this was the second-best year ever in the UK market for the brand, with largest customers delivering significant growth year on year.

Luxardo: Historically a heavily on-trade weighted brand, in 2020 showed good growth in the online channel.

Brockmans: Successful integration to brand portfolio resulted in sales volume of 21.7k 9Lcs.

Bumbu: Very strong performance in Asda, Tesco and Amazon.

Other Brands

There were a number of star performers in 2020 that benefited from the off-trade and online channel growth and various brand building initiatives, both local and global: Luc Belaire with a stellar performance not only in the UK market, but also globally, London No.1 Gin with a new presence in Sainsbury's.

Australia

Performance

€ 14m	Revenue excluding excise
32k	Stolichnaya Vodka sales, 9Lcs
17%	Sales volume growth

Think Spirits achieved new milestone of selling over 100k 9Lcs for the first time in its history

In 2018 ABG acquired 90% shares in Think Spirits (TS) - one of the largest on-trade-focused distributors of beverages in Australia. 2020 was TS's second full year as part of the ABG family.

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

In 2020 TS successfully adjusted to changing market conditions and grew its off-premise channel with volume growth in the top two retail chains reaching 62% in 2019. Growth was achieved by keeping the same staff level and keeping operations lean, thus contributing to an outstanding bottom-line result. Additionally, during 2020 TS executed its sales program called "Random acts of WOWness" which allowed sales representatives in the field to perform extraordinary acts of kindness helping our clients outside their normal duties. This converted into many new off-premises clients and increased listings. In 2020 full-year sales revenue excluding excise grew by 18% from EUR 11.7m in 2019 to EUR 14m in 2020.

Core brands

Stolichnaya Vodka: 2020 was a record year for Stolichnaya Vodka with distribution under TS with total volume reaching 32k 9Lcs, 15% growth in a flat Vodka market. The brand represented 31% of all TS volumes, thus making it the largest brand in the TS portfolio.

Malfy Gin: Based on the groundwork laid in the previous year, Malfy Gin became the second largest brand in TS portfolio in 2020. Malfy Gin is a gin with Mediterranean heritage and flavours that are of high value in Australia. Supported by continuous Gin market growth and and outstanding work from TS team that managed to acquire great distribution channels, sales reached 11.6k 9Lcs and a massive 144% growth in 2019.

Seedlip: With the growing popularity of healthy lifestyles and outstanding work from TS's sales team, this UK-produced non-alcoholic spirit brand had another year of growth turning out 13k 9Lcs compared to 6k in 2019. TS launched Seedlip RTD that contributed to volume growth.

Casamigos Tequila: This tequila brand supported by American actor George Clooney grew in the challenging and limited tequila market in Australia, thanks to great work by the TS sales team in getting many new distributions in off-premises the brand experienced yet another record year in sales in Australia with 3.6k 9Lcs in total and 33% growth.

Rooster Rojo® tequila: Within the challenging Tequila market, the TS sales team managed to secure a new listing in the largest retailer in Australia, thus resulting in 180% growth in volumes compared to 2019. A great achievement that will contribute to brand growth in years to come.

New brands

In 2020, Think Spirits launched a couple of new brand extensions, including Seedlip RTD and Westward Whiskey line extensions.

Other events

In 2020, Think Spirits worked to improve its efficiency and operations in a challenging economic and work environment, achieving overall profitability improvement compared to 2019.

Austria

Performance

111	Sales volume, 9Lcs
29.3%	Growth in off-trade
66	Brands served by 23 brand owners

Mountain Spirits was the first step in ABG's development of the DACH region (Germany-Austria-Switzerland) in 2020

A very demanding year lies behind the newly integrated import and distribution company Mountain Spirits Österreich GmbH (MS). In the Alpine nation, which is very dominated by tourism, the effects of the pandemic have been particularly severe, as they have brought the on-trade business to almost a complete standstill.

With a strong brand portfolio and high team-motivation, a number of new listings in the retail sector and increased sales promotions have supported the shift of sales towards off-trade segment. The launch of the own-brand label S-Budget at Spar, the largest retail company in Austria, was also a major lifeline in the past financial year, as it made it into the Top 10 brands at Mountain Spirits with over 4000 9Lcs from the start.

Core brands

The wide range of MS portfolio not only reflect high competence in the comparatively small domestic market, but also for the offer to be able to serve every kind of customer.

The sales winner of 2020 was clearly the successful Italian brand Therme di Crodo, which with its black Lemon-Soda cans contributed 15k 9Lcs to the total volume in 2020, just ahead of the traditional Bavarian white beer brand König-Ludwig.

In the spirits, once again at the top, an Italian representative, Disaronno, with 6.5k 9Lcs. From value perspective, the rum Ron Centenario, performed surprisingly well, along with the RTD's gin-tonic from Opihr which had good sales in retail chains Spar and Interspar. In addition to the extremely successful start of the liqueur miniature S-Budget, the regular Gaudi-Max brand with good figures in off-trade ensured an overall positive balance in the liqueur segment.

New brands

With the integration into the Group, the most important international brands of ABG and Stoli Group also came into the range of MS in 2020. Entering in Vodka category is a great opportunity for MS to expand the market share in Alpine region. This, and the development of a strategy for Tambovskaya® Vodka are big goals for the new year.

In late 2020, a takeover of the La-Martiniquaise brands was succesfully carried out, adding such brands as Glen-Moray, Label-5 and Cutty-Sark to MS's portfolio.

Through ABG international network, it is hoped that MS will be able to attract other good and strong brands to Austria, which will be an essential part of the desired growth. This, accompanied by ongoing efforts to optimally prepare to return to the on-trade business in the near future, are integral to the development of Mountain Spirits as one of the most important national players in the Austrian beverage trade.

Production

Latvia

Performance

€ 68.6m	Standalone net revenue
€ 2m	Annual investment in production facilities
> 42%	3rd party private label volume production growth

Continuous investments in production facilities improve efficiency and financial results

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

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

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

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

In 2020, LB continued investing in production with a focus on the improvement of efficiency and adaptability and the preservation of the low-cost base. Total investments made by LB in the acquisition of property, factory and equipment and intangible assets in 2020 were EUR 2.1 million. The main investment projects were:

- The installation of semi-automated depalletizing equipment;
- The installation of a new washer for the plant in Briana Street;
- The introduction of new bottle shapes for RTDs;
- The launch of the production of carbonated soft drinks.

During the pandemic, Latvijas balzams has entered a new segment and has started disinfectant production to support local needs. In addition, plenty of new products were developed in 2020: Moskovskaya® Hard Seltzer in cans, Moskovskaya® Flavored series, small size products in 100ml package, Riga Black Balsam® Chocolate & Mint, Cross Keys Gin® Sea Buckthorn, Black Balsam cocktails in cans – Black Currant and Cherry, Riga Black Balsam® XO and many others.

Russia

Performance

3m DAL of spirit production in 2020 by Talvis

9 670 Average daily productivity in 2020 by Talvis, DAL/day

42 Regions where alcohol products were sold in 2020 by Permalko

The superior quality of our products is highly appreciated by customers

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

With a history dating back 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 (DAL) per day (the average daily production in 2020 reached 9 670 DAL with an increasing +3% vs. last year due to the changes in the technological regime). The production facility in Tambov has been in operation for over 10 years.

78.7k tons of grain were processed in 2020, providing the raw material – spirit – for the producers of alcoholic beverages both in Russia and other countries. In 2020 Talvis reached a production volume of spirit 2.983m DAL placing Talvis in seventh place in the TOP 10 rating of spirits producers in the Russian Federation with a market share of 5.5%.

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

Key investments in the first half of 2020 (exceeding EUR 150k) were made in completing the project of replacing two tubular bundles for dryers and decanters to reduce the repair time for equipment during sanitization and to maintain the production volume of the high-quality spirit at the level of project capacity. In the second half of the year, Talvis invested more than EUR 250k in the construction of an additional (third) grain storage tank to increase the storage capacity up to 15 000 tons and cut grain costs during a period of high grain prices.

Permalko (Permalko) is one of the oldest producers of spirits in the Ural, Russia. The company is in the TOP 20 list of vodka and spirits producers in Russia with a market share of 1.6%.

Permalko has over 120 years of history and more than 20 brands/products in its portfolio. The geography of deliveries is extensive and includes not only the Perm region but also 42 other regions of Russia and 14 other countries.

In 2020 Permalko successfully redesigned brands Russian Reserve® and Gubernskaya®, launched new own brands Organic® and Veter®. Brand development offers customers a new experience and has resulted in the company winning new awards.

In 2020 the total sales volume reached 1.6m 9Lcs out of which the largest brands are Gradus® Vodka, Khishniki® Vodka, Permskaya® Vodka. Products in the mid-price segment constituted 38% of total sales and 59% of total brand contribution in 2020. Permalko has an experience of constant increase the share of sales of products in the mid-price segment by +5% in 2019 and +5% in 2020.

As a private label producer, Permalko has successfully continued cooperation on the production of premium segment vodkas Zerno and Romanov. In 2020 bottling of new private label brands Onegin and Finka has started.

Major investments in 2020 included the installation of a new labeling machine, capsulator and the purchase of capping machine that allows increasing the production capacity of products in the mid-price segment with complex design by 1.5 times, to decrease the direct production costs, including reduction of line workers.

Estonia

Performance

900 Pallet places in warehouse

4 000 Output capacity of labelling machine, units per hour

1m Production capacity in liters

An efficient production facility makes it possible to meet specific customer needs in small and mid-size batches

After Estonia regained its independence, in 1991 Remedia (Remedia) was the first private equity company to secure the right to product alcoholic beverages. Since then, Remedia has become the third largest producer of spirits in Estonia. Remedia's assortment includes vodkas, flavoured vodkas, gins, natural berry and fruit liqueurs, herbal liqueurs and bitters. The company also makes cream liqueur and natural egg liqueur.

Since 2019 small batch production for Group and external customers has been located in Remedia. This allowed producing the well-known brands (e.g., Pshenichnaya Vodka, Barbuda® Rum) distributed at the pan-Baltic level with the same product design, maintaining the same high-quality standards. Also, the company has re-routed the third-party product import by Amber Distribution Estonia through the warehouse in Kiiu, thus bringing synergies to logistic costs in the Estonian market. Moreover, providing the logistic services to Amber Distribution Estonia has facilitated increased synergies and cost reduction at Group level, making the utilisation of resources at Remedia more efficient.

2020 was one of the best years in the company's history – production volume has reached 38k 9Lcs. It has been achieved by both attracting private label customers as well as Moskovskaya® bottling for the USA market. Also, during the pandemic, Remedia has produced disinfectants for the local market.

Mexico

Performance

€ 7m Net revenue (stand-alone) generated

50.8k Production volume of tequila, 9Lcs

220 Hectare of agave fields acquired

Ensuring outstanding quality standards and investing in the future

Fabrica de Tequilas Finos (FTF) was established in 1999 and started production of premium tequilas in 2000. The company is located in the heart of Tequila, Jalisco, surrounded by an agave landscape that has been declared the heritage of humanity by UNESCO. FTF has a certified quality management system (NSF), its products have been Kosher and Organic certified.

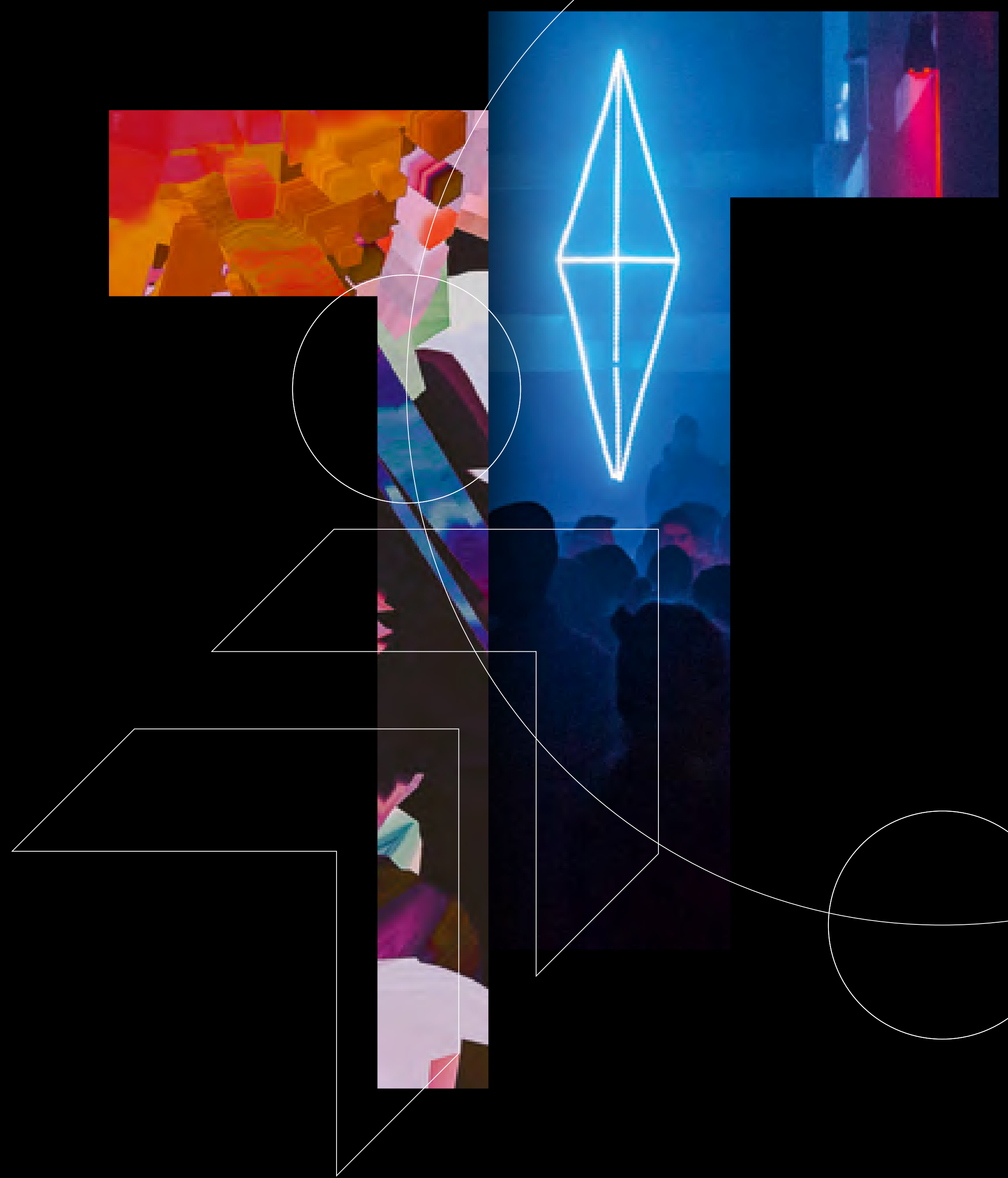
Almost 20 years ago in 2001, FTF started producing Tenoch® Tequila followed by Stallion®, Tonala®, Don Camilo®, Zapopan®, Santos® and other supreme tequila brands. All of which have been marketed with great success in the United States.

Since we launched the Rooster Rojo® tequila brand in 2017, it has become one of the ABG core brands with immediate international recognition. Since the spring of 2020 we have taken over the distribution of iconic KAH® Tequila which also became one of ABG Core brands. Soon after the new KAH® bottle design was launched with main markets in the US and Canada which turned out to be very successful, giving us high expectations about the product's performance in 2021.

In close cooperation with the Stoli Group, FTF is producing the premium quality Cenote and Villa One tequila. Villa One was introduced in July 2019 and developed in cooperation between Stoli Group and American singer-songwriter Nick Jonas and fashion designer John Varvatos. Production of Villa One – presented by Silver, Reposado and Anejo types, has rapidly become one of the top brands with 22.5k 9Lcs produced in 2020.

2020 also provided one-of-a-kind opportunities to acquire 220 hectares of agave fields in Los Altos Jalisco with plants from 1 to 3 years old, paving the way for own agave sources not depending on market fluctuations in agave supply in the future.

The distillery is certified by the government of Mexico approving the extensive care towards the environment. FTF has its own wastewater treatment plant, 85% of factory electricity needs are ensured from renewable sources. The plan is to receive 100% of energy needs from the sun in the near future, allowing FTF to become completely independent from fossil energy sources. This helps FTF to protect the environment and not to harm our planet, which provides us with those wonderful agave plants from which we produce our exceptional tequilas.



Our Team

Creating the extraordinary. Everyday. Everywhere.

Our Team

Jekaterina Stuģe,
Chairman of the Board of Managers and Group Chief Executive Officer

Arturs Evarts,
Group Chief Legal Officer

Pāvels Fiļipovs,
Managing Director, Latvia and Estonia

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

Pepijn Janssens,
Group Chief Marketing Officer, Managing Director US

Marek Kuklis,
Head of Distribution, Managing Director, Lithuania

Patrick Borg,
Managing Director, Asia-Pacific

Ruta Rimšāne,
Head of Group HR Services

Consolidated Financial Statements

Contents

Primary Statements

Consolidated Statement of Comprehensive Income

	Notes	2020 EUR 000	2019 EUR 000
Revenue		422 836	418 751
Excise tax and duties		(154 088)	(149 534)
Net revenue	5	268 748	269 217
Cost of goods sold	6.1	(188 926)	(184 495)
Gross profit		**79 822**	**84 722**
Selling expense	6.2	(43 309)	(48 213)
General and administrative expense	6.3	(20 731)	(21 708)
Net impairment losses of financial assets		(82)	(11)
Fair value adjustment on biological assets	16	816	–
Other operational income		8 319	8 613
Other operational expense		(2 122)	(6 586)
Merger and acquisition related costs		(786)	(355)
Operating profit		**21 927**	**16 462**
Net finance (costs) / income	9	(10 615)	3 536
Profit before tax		**11 312**	**19 998**
Corporate income tax	10	(1 385)	(2 446)
Profit for the period		**9 927**	**17 552**
Attributable to:			
Equity holders of the parent		8 850	14 466
Non-controlling interest		1 077	3 086
		9 927	**17 552**
Other comprehensive income (cannot be subsequently reclassified to profit or loss)		(271)	(1 273)
Total comprehensive income for period		**9 656**	**16 279**
Attributable to:			
Equity holders of the parent		8 831	13 193
Non-controlling interest		825	3 086
		9 656	**16 279**

These consolidated financial statements on pages 94 to 156 were approved by the Board of Managers on 30 April 2021 and signed on its behalf by:

Jekaterina Stuge
Chairman of the Board of Managers

Consolidated Statement of Financial Position

Assets

	Notes	31/12/2020 EUR 000	31/12/2019 EUR 000	31/12/2018 EUR 000
Non-current assets				
Intangible assets	12	56 623	53 850	56 160
Property, plant and equipment	13	47 060	49 753	51 632
Right-of-use assets	14	7 843	9 409	–
Investment properties	15	2 617	1 808	1 912
Biological assets	16	10 125	–	–
Loans to related parties	26.2	28 268	23 481	23 458
Other non-current financial assets		1 054	502	329
Non-current financial investments		2 734	3 163	2 632
Deferred tax asset	10	–	–	26
Total non-current assets		**156 324**	**141 966**	**136 149**
Current assets				
Inventories	17.1	76 370	69 308	67 260
Trade and other receivables	17.2	117 640	121 754	111 527
Loans to related parties	26.2	2 204	1 506	1 027
Corporate income tax		628	665	1 329
Cash and cash equivalents	27	8 356	8 142	4 048
Total current assets		**205 198**	**201 375**	**185 191**
Total assets		**361 522**	**343 341**	**321 340**

These consolidated financial statements on pages 94 to 156 were approved by the Board of Managers on 30 April 2021 and signed on its behalf by:

Jekaterina Stuge
Chairman of the Board of Managers

Consolidated Statement of Financial Position

Equity and liabilities

	Notes	31/12/2020 EUR 000	31/12/2019 EUR 000	31/12/2018 EUR 000
Capital and Reserves				
Share capital	22	13	13	13
Share premium	22	132 553	132 553	132 553
Foreign exchange revaluation reserve		(1 042)	(998)	259
Other reserves		1	1	–
Pooling reserve	23	(18 041)	(17 978)	(17 673)
Revaluation reserve of derivatives		(167)	(192)	(176)
Retained earnings		31 850	27 384	23 897
Profit for the period		8 850	14 466	13 487
Total attributable to majority shareholders		**154 017**	**155 249**	**152 360**
Non-controlling interest	24	10 086	9 307	6 295
Total equity		**164 103**	**164 556**	**158 655**
Liabilities				
Non-current liabilities				
Interest bearing loans and borrowings	19	20 107	50 670	22 841
Leases	20	3 910	5 416	2 032
Trade and other payables	17.4	115	109	50
Deferred tax liability	10	427	246	64
Derivatives		167	192	175
Total non-current liabilities		**24 726**	**56 633**	**25 162**
Current liabilities				
Interest bearing loans and borrowings	19	47 627	16 182	37 820
Leases	20	2 607	2 822	831
Trade and other payables	17.4	58 611	61 449	57 893
Taxes payable	17.3	63 254	41 600	40 979
Corporate income tax liabilities	17.3	594	99	–
Total current liabilities		**172 693**	**122 152**	**137 523**
Total liabilities		**197 419**	**178 785**	**162 685**
Total equity and liabilities		**361 522**	**343 341**	**321 340**

These consolidated financial statements on pages 94 to 156 were approved by the Board of Managers on 30 April 2021 and signed on its behalf by:

Jekaterina Stuge
Chairman of the Board of Managers

Consolidated Statement of Changes in Equity

	Attributable to the equity holders of the parent										
	Share capital EUR 000	Share premium EUR 000	Foreign exchange revaluation reserve EUR 000	Pooling reserve EUR 000	Revaluation reserve of derivatives EUR 000	Other reserves EUR 000	Retained earnings EUR 000	Profit for the period EUR 000	Total EUR 000	Non-controlling interest EUR 000	Total equity
1 January 2019	**13**	**132 553**	**259**	**(17 673)**	**(176)**	**–**	**23 897**	**13 487**	**152 360**	**6 295**	**158 655**
Transfer of prior period result	–	–	–	–	–	1	13 487	(13 487)	1	–	1
Dividends	–	–	–	–	–	–	(10 000)	–	(10 000)	(74)	(10 074)
Profit for the period	–	–	–	–	–	–	–	14 466	14 466	3 086	17 552
Other comprehensive income	–	–	(1 257)	–	(16)	–	–	–	(1 273)	–	(1 273)
Total comprehensive income	**–**	**–**	**(1 257)**	**–**	**(16)**	**–**	**–**	**14 466**	**13 193**	**3 086**	**16 279**
Acquired during the period	–	–	–	(305)	–	–	–	–	(305)	–	(305)
31 December 2019	**13**	**132 553**	**(998)**	**(17 978)**	**(192)**	**1**	**27 384**	**14 466**	**155 249**	**9 307**	**164 556**
Transfer of prior period result	–	–	–	–	–	–	14 466	(14 466)	–	–	–
Dividends	–	–	–	–	–	–	(10 000)	–	(10 000)	(46)	(10 046)
Profit for the period	–	–	–	–	–	–	–	8 850	8 850	1 077	9 927
Other comprehensive income	–	–	(44)	–	25	–	–	–	(19)	(252)	(271)
Total comprehensive income	**–**	**–**	**(44)**	**–**	**25**	**–**	**–**	**8 850**	**8 831**	**825**	**9 656**
Acquired during the period	–	–	–	(63)	–	–	–	–	(63)	–	(63)
31 December 2020	**13**	**132 553**	**(1 042)**	**(18 041)**	**(167)**	**1**	**31 850**	**8 850**	**154 017**	**10 086**	**164 103**

Consolidated Statement of Cash Flows

	Notes	2020 EUR 000	2019 EUR 000
Cash flow from operating activities			
Profit for the period before taxation		11 312	19 998
Adjustments for:			
Depreciation and amortisation charge	6	8 903	8 837
Impairment of intangible assets and property, plant and equipment	12,13	–	4 955
Net gain on disposal of property, plant and equipment and intangibles		(19)	(357)
Interest income	9	(1 363)	(1 523)
Interest expense	9	2 751	2 712
Fair value adjustment on biological assets	16	(816)	–
		20 768	**34 622**
Working capital changes:			
Increase in inventories		(5 528)	(1 384)
Decrease/ (increase) in trade and other receivables		7 025	(5 159)
Increase in trade and other payables		24 101	(4 736)
Cash generated from operations		**46 366**	**23 343**
Corporate income tax paid		(1 050)	(1 551)
Net cash generated from operating activities		**45 316**	**21 792**
Cash flows used in investing activities			
Payments to acquire property, plant and equipment		(7 462)	(4 425)
Payments to acquire intangible assets		(2 133)	(1 170)
Payments to acquire biological assets		(9 309)	–
Proceeds from disposal of property, plant and equipment		204	804
Payment for acquisition of subsidiaries, net of cash acquired	11	(5 374)	(3 988)
Loans issued		(5 000)	–
Loan repayment received		50	–
Net cash used in investing activities		**(29 024)**	**(8 779)**
Cash flows used in financing activities			
Interest paid		(2 387)	(2 114)
Change in overdraft		9 193	(24 358)
Borrowings received		15 556	44 000
Borrowings from related parties		4 792	6 153
Repayment of borrowings		(28 598)	(22 421)
Lease payments		(2 427)	(2 866)
Dividends paid to Parent Company's shareholders		(12 161)	(7 239)
Dividends paid to non-controlling interests in subsidiaries		(46)	(74)
Net cash used in financing activities		**(16 078)**	**(8 919)**
Net change in cash and cash equivalents		**214**	**4 094**
Cash and cash equivalents at the beginning of the period		**8 142**	**4 048**
Cash and cash equivalents at the end of the period	27	**8 356**	**8 142**

Notes to the Consolidated Financial Statements

Accounting information and policies

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

1. General Information

These consolidated financial statements were approved and authorised for issue by the Board of Managers of Amber Beverage Group Holding S.à r.l. (the Parent Company) on 30 April 2021.

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 2020 Amber Beverage Group (further on – the Group or ABG) consists of the following companies – the Parent Company, Amber Beverage Group SIA (Latvia), Latvijas balzams AS (Latvia), Amber Distribution Latvia SIA (Latvia), Amber Distribution Estonia OU (Estonia), Bennet Distributors UAB (Lithuania), Amber IP Brands S.à r.l. (Switzerland), Fabrica de Tequilas Finos S.A. de C.V. (Mexico), Interbaltija AG AS (Latvia), Amber Beverage Group UK Limited (the UK), Cellar Trends Holding Ltd (the UK), Cellar Trends Ltd (the UK), Tamboskoye spirtovoye predpriyatiye "Talvis" AO (Russia), Permalko AO (Russia), Remedia AS (Estonia), Think Spirits Pty Ltd (Australia), Amberbev International Ltd (Cyprus), Mountain Spirits Österreich GmbH (Austria), Mountain Spirits Deutschland GmbH (Germany), Skoniu Krastas UAB (Lithuania), Indie Brands Ltd (the UK) – acquired in 2020, Indie Spirits Ltd (the UK) - acquired in 2020, Think Spirits NL B.V. (the Netherlands) - incorporated in 2020, ABG Real Estate SIA (Latvia) - incorporated in 2020, Rits Holdings SIA (Latvia) - acquired in 2020 (see also Note 28).

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

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

2. Basis of Preparation

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

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

Going Concern

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

Basis for Measurement

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

Basis of Consolidation

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

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

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

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

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

Subsidiaries

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

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

Functional and presentation currency

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

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. During the consolidation process for entities with functional currency other than Group's functional currency, the positions of statement of comprehensive income, cash-flow statement and statement of changes in equity are revaluated at annual average exchange rate (or the average exchange rate for the period the Group has obtain the control), the positions of statement of financial position are revaluated at year-end exchange rate.

The following foreign currency exchanges rates have been applied:

	31/12/2020	2020 average	31/12/2019	2019 average	31/12/2018
USD/EUR	1.2271	1.1422	1.1234	1.1195	1.1450
RUB/EUR	91.4671	82.7248	69.9563	72.4553	79.7153
MXN/EUR	24.4160	24.5194	21.2202	21.5565	22.4921
AUD/EUR	1.5896	1.6549	1.5995	1.6109	1.6220
GBP/EUR	0.8990	0.8897	0.8508	0.8777	0.8945

Exchange differences on monetary items are recognised in the statement of comprehensive income in the period in which they arise.

Reporting period

These consolidated financial statements cover the period from 1 January 2020 to 31 December 2020.

3. Changes in IFRS Standards and Interpretations

New IFRS that became effective on 1 January 2020

Amendments to the Conceptual Framework for Financial Reporting (effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular, the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Definition of a business - Amendments to IFRS 3 (effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020). The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organized workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets).

Definition of materiality – Amendments to IAS 1 and IAS 8 (effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (effective for annual periods beginning on or after 1 January 2020). These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

Covid-19 Related Rent Concessions – Amendments to IFRS 16 (effective for annual periods beginning on or after 1 January 2020). The amendments provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to Covid-19 is a lease modification. The Group has applied the optional exemption while evaluating the existing lease agreements.

The Group considers that aforementioned amendments to standards have no material impact on these financial statements.

Certain new standards and interpretations have been issued and become effective for annual periods beginning on or after 1 January 2021 or are not yet endorsed by the European Union

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (effective for annual periods beginning on or after a date to be determined by the IASB, not yet adopted by the EU).

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

Classification of liabilities as current or non-current – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2022, not yet adopted by the EU).

Amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (effective for annual periods beginning on or after 1 January 2022, not yet adopted by the EU).

Amendments to IFRS 17 and an amendment to IFRS 4 (effective for annual periods beginning on or after 1 January 2023, not yet adopted by the EU).

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (effective for annual periods beginning on or after 1 January 2021, not yet adopted by the EU).

The Group has not early adopted new standards and interpretations and believes that the adoption of new or revised standards and interpretations has no material impact on the Group's financial statements.

4. Critical Assumptions and Estimates

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

Impairment of goodwill

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

Provisions for inventory obsolescence

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

Determination of the lease term

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

Results for the Year

This section explains the results and performance of the Group for the year ending 31 December 2020. Disclosures are provided for segmental information, operating profit, finance income and costs, and taxation.

5. Segment Reporting

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

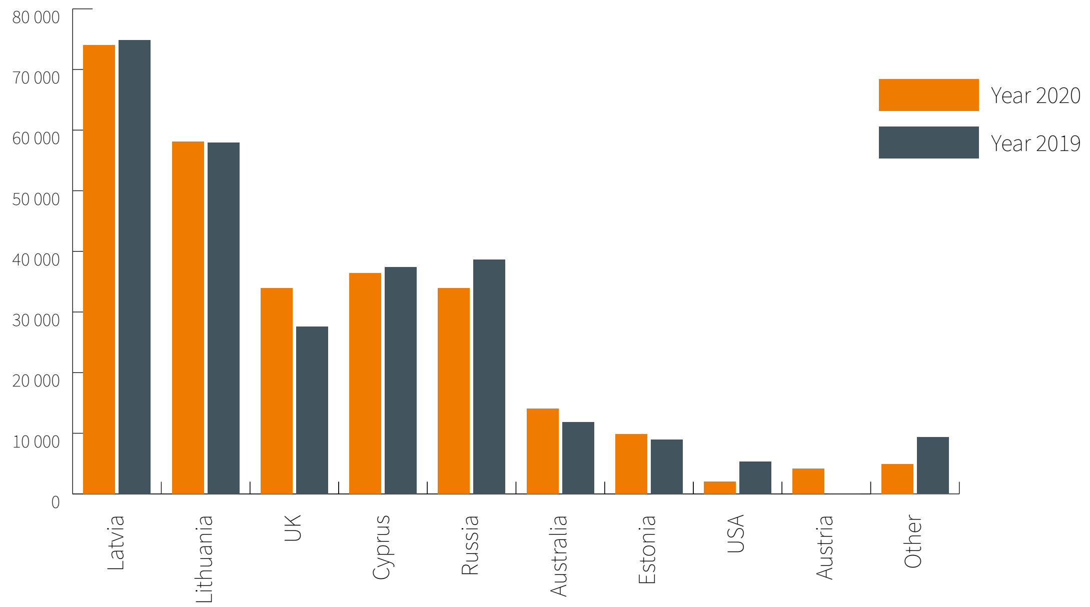
Each of these segments is managed separately as each of business areas require different approaches. All inter-segment transfers are carried out at arm's length prices.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is reduced for estimated customer returns, discounts, rebates, and other similar allowances. For production segment, the Group acts as an agent in collecting the excise duty from customers, and transferring it to responsible tax collection authorities. Thus the revenue is recognized net of excise tax levied on the customers. Revenue is shown net of value-added tax and duties or other sales taxes. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Group and these can be measured reliably. Revenue are recongized at a point of time.

	Production		Distribution		Management/ Other/ Eliminations		Consolidated	
	2020 EUR 000	2019 EUR 000	2020 EUR 000	2019 EUR 000	2020 EUR 000	2019 EUR 000	2020 EUR 000	2019 EUR 000
Net revenue								
Third party revenue	74 365	85 031	194 383	184 186	–	–	268 748	269 217
Intersegment revenue	42 798	45 609	11 975	15 254	(54 773)	(60 863)	–	–
Segment net revenue	**117 163**	**130 640**	**206 358**	**199 440**	**(54 773)**	**(60 863)**	**268 748**	**269 217**
Operating profit	**15 921**	**14 652**	**8 933**	**8 203**	**(2 927)**	**(6 393)**	**21 927**	**16 462**
Finance income							1 542	6 742
Finance costs							(12 157)	(3 206)
Income tax							(1 385)	(2 446)
Net profit							**9 927**	**17 552**

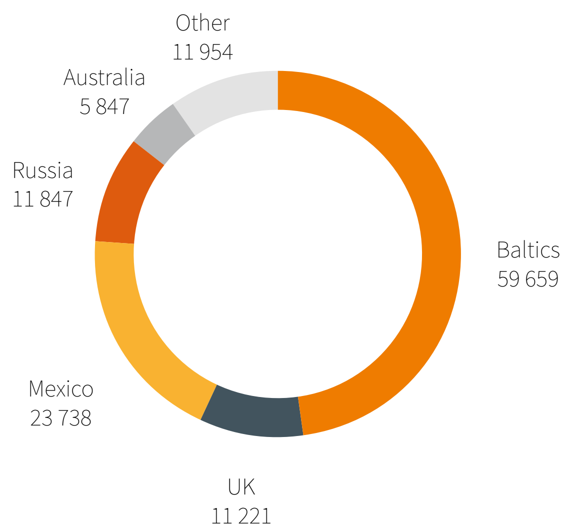
	Production		Distribution		Management/ Other/ Eliminations		Consolidated	
	31/12/2020 EUR 000	31/12/2019 EUR 000	31/12/2020 EUR 000	31/12/2019 EUR 000	31/12/2020 EUR 000	31/12/2019 EUR 000	31/12/2020 EUR 000	31/12/2019 EUR 000
Assets								
Non-current segment assets	64 934	59 998	42 804	42 371	16 529	12 450	124 267	114 819
Current segment assets	78 656	76 183	120 465	120 582	3 246	2 440	202 367	199 205
Segment assets	**143 590**	**136 181**	**163 269**	**162 953**	**19 775**	**14 890**	**326 634**	**314 024**
Current tax receivable							628	665
Loans to related parties							30 472	24 987
Other non-current assets							1 054	502
Non-current financial investments							2 734	3 163
Total assets							**361 522**	**343 341**
Liabilities								
Non-current segment liabilities	(793)	(1 400)	(2 557)	(2 271)	(675)	(1 856)	(4 025)	(5 527)
Current segment liabilities	(44 379)	(43 745)	(77 980)	(56 306)	(2 113)	(5 818)	(124 472)	(105 869)
Segment liabilities	**(45 172)**	**(45 145)**	**(80 537)**	**(58 577)**	**(2 788)**	**(7 674)**	**(128 497)**	**(111 396)**
Deferred tax liabilities							(427)	(246)
Current tax payable							(594)	(99)
Interest bearing loans and borrowings							(67 734)	(66 852)
Derivatives							(167)	(192)
Total liabilities							**(197 419)**	**(178 785)**
Other disclosures								
Capital expenditure	15 031	3 546	1 183	1 152	2 736	1 012	**18 950**	**5 710**
Depreciation and amortisation	4 593	5 028	3 448	2 723	862	6 040	**8 903**	**13 791**
Acquisition of goodwill	–	–	3 805	1 009	–	–	**3 805**	**1 009**

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

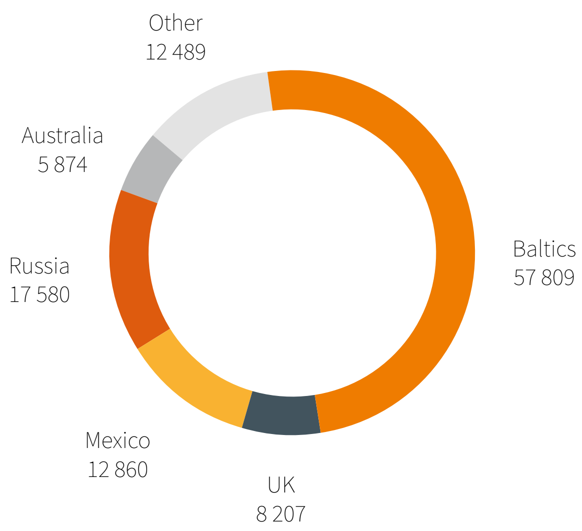


The total non-current assets other than financial instruments and deferred tax assets, broken down by location of assets, is shown in the following graphs:

2020



2019



6. Operating Profit

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

	2020 EUR 000	2019 EUR 000
Gross Revenue	422 836	418 751
Excise tax and duties	(154 088)	(149 534)
Net revenue	**268 748**	**269 217**
Cost of inventories	(168 720)	(162 815)
Advertising, marketing and promotional costs	(8 015)	(11 830)
Logistic costs	(7 364)	(7 549)
Staff costs	(39 236)	(39 925)
Other indirect costs	(22 850)	(25 091)
Other operating income	8 319	8 613
Net impairment loss on financial assets	(82)	(11)
Depreciation and amortisation - cost of goods sold	(2 220)	(2 268)
Depreciation and amortisation - selling costs	(3 336)	(2 996)
Depreciation and amortisation - administration costs	(3 347)	(3 573)
Impairment of non-financial assets	–	(4 955)
Total depreciation, amortisation and impairment of non-financial assets	(8 903)	(13 792)
Fair value adjustment to biological assets	816	–
M&A related costs	(786)	(355)
Operating profit	**21 927**	**16 462**

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

	2020 EUR 000	2019 EUR 000
Operating profit	21 927	16 462
Add-back for:		
Depreciation, amortisation and impairment	8 903	13 791
Fair value adjustment to biological assets	(816)	–
Total	**30 014**	**30 253**
M&A related costs	786	355
Business restructuring costs	432	–
Normalized EBITDA	**31 232**	**30 608**

6.1. Costs of Goods Sold

	2020 EUR 000	2019 EUR 000
Cost of inventories	168 720	162 815
Salaries and related tax expense	9 676	10 602
Depreciation and amortisation	2 220	2 268
Utility expense	2 700	3 092
Nature resource tax	2 372	2 343
Maintenance costs	874	1 051
Change in accruals	181	262
Real estate tax	228	233
Insurance costs	67	71
Laboratory expense	62	72
Other production costs	1 826	1 686
Total	**188 926**	**184 495**

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

6.2. Selling Expenses

	2020 EUR 000	2019 EUR 000
Salaries and related taxes	20 302	19 901
Advertising	8 015	11 830
Transport and logistics	7 364	7 549
Rent and maintenance of premises	1 064	1 270
Depreciation and amortisation	3 336	2 996
Maintenance of cars	89	387
Packaging materials	171	219
Change in accruals	(22)	708
Other distribution costs	2 990	3 353
Total	**43 309**	**48 213**

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

6.3. General and Administrative Expenses

	2020 EUR 000	2019 EUR 000
Salaries and related expenses	9 258	9 422
Depreciation and amortisation	3 347	3 573
Management and professional service expense	3 021	2 196
Office expense	978	1 326
Change in accruals	560	841
Business trips	269	856
IT maintenance	674	648
Representation	117	408
Communication	356	402
Bank commissions	251	202
Training expense	36	92
Other administration	1 864	1 742
Total	**20 731**	**21 708**

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

7. Auditor's Remuneration

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

	2020 EUR 000	2019 EUR 000
Fees paid for audit and audit related services	233	212
Total	**233**	**212**

8. Staff Costs

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

	2020 EUR 000	2019 EUR 000
Wages and salaries	33 279	33 799
Social security contributions	5 957	6 126
Total	**39 236**	**39 925**

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

	2020	2019
Production	1 208	1 310
Wholesale and retail	689	701
Other	69	73
Total	**1 966**	**2 084**

9. Finance Income and Costs

	2020 EUR 000	2019 EUR 000
Finance income		
Interest income	1 363	1 523
Foreign exchange gain, net	–	5 133
Other financial income	179	86
Total finance income	**1 542**	**6 742**
Finance costs		
Interest expense	(2 751)	(2 712)
Foreign exchange loss, net	(8 838)	–
Amortisation of loan related expense	(568)	(494)
Total finance costs	**(12 157)**	**(3 206)**
Net finance (costs)/ income	**(10 615)**	**3 536**

In 2020 Foreign exchange loss, net includes unrealized net foreign exchange loss of EUR 8 395 thousand mainly due to euro valuation against Russian rubles and Mexican pesos (2019: unrealized net foreign exchange gain EUR 5 237 thousand).

10. Corporate Income Tax

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

10.1. Components of Corporate Income Tax

	2020 EUR 000	2019 EUR 000
Current tax expense	984	2 238
Change in deferred tax	401	208
Tax charge	**1 385**	**2 446**

10.2. Reconciliation of Accounting Profit to Income Tax Charges

	2020 EUR 000	2019 EUR 000
Profit before tax	11 312	19 998
Income tax credit calculated	2 048	3 750
Adjusting for:		
Permanent differences	126	(692)
Change in allowance for deferred tax asset	(789)	(612)
Income tax expense recognised in profit or loss	**1 385**	**2 446**

Effective tax rate for reporting year is 18.11% (2019: 12.2%).

10.3. Movements in Components of Deferred Tax

	31/12/2019 EUR 000	Charged to income statement EUR 000	31/12/2020 EUR 000
Temporary differences			
Property, plant and equipment	875	(178)	697
Tax loss carried forwards	(3 587)	952	(2 635)
Other provisions and accruals	15	196	211
Allowance for deferred tax asset	2 943	(785)	2 154
	246	**181**	**427**
Deferred tax asset	–		–
Deferred tax liabilities	246		427
	246		**427**

Operating Assets and Liabilities

This section describes the assets used to generate the Group's performance and the liabilities incurred. This section also provides detailed disclosures on the Group's recent acquisitions of subsidiaries.

11. Business Combinations and Acquisitions Under Common Control

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

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

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

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

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

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

Acquisition of controlling interests in subsidiaries from entities under common control

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

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

Acquisition of subsidiaries

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

11.1. Acquisitions

	2020		2019		
	Indie Brands group EUR 000	TOTAL EUR 000	Interbaltija Arka EUR 000	Mountain Spirits group EUR 000	TOTAL EUR 000
Assets					
Intangible assets	–	–	2	32	34
Property, plant and equipment	22	22	10	84	94
Right-of-use assets	–	–	344	743	1 087
Inventories	1 533	1 533	65	599	664
Trade receivables and other receivables	2 231	2 231	32	1 587	1 619
Cash and cash equivalents	371	371	120	18	138
Liabilities					
Trade payables	(1 415)	(1 415)	(211)	(1 155)	(1 366)
Other accounts payable	(342)	(342)	(15)	(770)	(785)
Borrowings	(1 652)	(1 652)	(267)	(1 044)	(1 311)
Total identifiable net assets acquired	**748**	**748**	**80**	**94**	**174**
Goodwill arising on acquisition	3 804	3 804	–	1 009	1 009
Purchase consideration	**4 552**	**4 552**	**80**	**1 103**	**1 183**
Cash paid	4 170	4 170	80	965	1 045
Contingent consideration	382	382	–	138	138
Total purchase consideration	**4 552**	**4 552**	**80**	**1 103**	**1 183**
Net cash acquired on acquisition	371	371	120	18	138
Cash paid	(4 170)	(4 170)	(80)	(965)	(1 045)
Net cash flow on acquisition	**(3 799)**	**(3 799)**	**40**	**(947)**	**(907)**

Indie Brands group

On 9 January 2020, the Group acquired 75% of voting shares in Indie Brands Ltd, an unlisted company in the UK, whose main activity is distribution of branded spirit drinks in the UK with strong focus on on-trade customers. Indie Brands Ltd is the sole shareholder of Indie Spirits Ltd. The Group acquired Indie Brands group companies in accordance with the Group's strategy on strengthening its position in the UK market. The goodwill of EUR 3 804 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 recognized entirely to the distribution UK cash generating unit. None of the goodwill recognized is expected to be deductible for income tax purposes. Contingent consideration for the purchase consideration consists of estimated payments for the remaining part of Indie Brands Ltd shares.

Since the date of acquisition, Indie Brands group has contributed EUR 4 950 thousand of revenues and loss before tax of EUR 470 thousand. If the combinations had taken place at the beginning of the year, revenue from continuing operations and net result for the year would not differ materially.

11.2. Business Combination Under Common Control

	2020		2019	
	Rits Holding EUR 000	Total EUR 000	Amberbev International EUR 000	Total EUR 000
Assets				
Intangible assets	–	–	658	658
Investment properties	904	904	–	–
Other non-current assets	–	–	7	7
Trade receivables and other receivables	1	1	3 105	3 105
Cash and cash equivalents	–	–	180	180
Liabilities				
Trade payables	–	–	(2 029)	(2 029)
Other accounts payable	(6)	(6)	(629)	(629)
Other borrowings	(58)	(58)	–	–
Total identifiable net assets acquired	**841**	**841**	**1 292**	**1 292**
Pooling reserve recongized	63	63	305	305
Purchase consideration	**904**	**904**	**1 597**	**1 597**
Cash paid	(904)	(904)	(1 597)	(1 597)
Total purchase consideration	**(904)**	**(904)**	**(1 597)**	**(1 597)**
Net cash acquired on acquisition	–	–	180	180
Cash paid	(904)	(904)	(1 597)	(1 597)
Net cash flow on acquisition	**(904)**	**(904)**	**(1 417)**	**(1 417)**

Rits Holding SIA

On 18 December 2020 as part of the reorganisation process of SPI Group, the Group acquired 100% of voting shares and obtained control over Rits Holding SIA. Acquisition is considered to be a combination of entities under common control, therefore net assets are recognized at historical cost and no goodwill is recognized.

As the result of the acquisition of Rits Holding SIA, the difference between the initial investment value and net assets acquired is recognized as change in Pooling reserve (see also Note 23).

11.3. Impact on Financial Results

The operating profit development in 2020 has been impacted by the merger and acquisitions (M&A) of prior years. Therefore, to allow proper benchmarking of the operating profit 2020 development in comparison to 2019 the impact of mergers and acquisitions can be presented as follows:

M&A represents the share of financial performance of subsidiaries that have been included in the Group for a period less than two full reporting periods, i.e., for 2020 the M&A segment includes the operating profit generated by Indie Brands entities (11.5 months) and Amberbev International, Interbaltija Arka, Mountain Spirits entities acquired in 2019.

Comparative information for M&A represents Amberbev International (11 months), Interbaltija Arka (4 months), Mountain Spirits Osterreich (1 month), Barexpress Getranke (1 month), Mountain Spirits Deutschland (1 month) and Remedia, Think Spirits, Permalko acquired in 2018.

Financial result of entities incorporated in 2020 (ABG Real Estate, FTF Agro, Think Spirits NL B.V.) for disclosure purposes are presented as organic growth segment of the Group.

	2020			2019		
	Organic Growth EUR 000	M&A impact EUR 000	Total EUR 000	Organic Growth EUR 000	M&A impact EUR 000	Total EUR 000
Revenue	405 359	17 477	422 836	365 339	53 412	418 751
Excise	(153 396)	(692)	(154 088)	(139 105)	(10 429)	(149 534)
Net revenue	251 963	16 785	268 748	226 234	42 983	269 217
Cost of goods sold	(176 242)	(12 684)	(188 926)	(157 861)	(26 634)	(184 495)
Gross profit	**75 721**	**4 101**	**79 822**	**68 373**	**16 349**	**84 722**
Selling expense	(40 409)	(2 900)	(43 309)	(39 438)	(8 775)	(48 213)
General and administration expense	(19 409)	(1 322)	(20 731)	(18 277)	(3 431)	(21 708)
Net loss from impairment of financial assets	(406)	324	(82)	(200)	189	(11)
Fair value adjustment on biological assets	816	–	816	–	–	–
Other operational income	8 305	14	8 319	8 971	(358)	8 613
Other operational expense	(2 113)	(9)	(2 122)	(5 499)	(1 087)	(6 586)
M&A related expense	–	(786)	(786)	–	(355)	(355)
Operating profit	**22 505**	**(578)**	**21 927**	**13 930**	**2 532**	**16 462**

12. Intangible Assets

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

(a) Goodwill

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

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

(b) Trademarks and trademark registration costs

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

(c) Computer software and licences

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

Impairment of non-financial assets

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

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

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

Cash generating units

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

	Goodwill EUR 000	Brands EUR 000	Concessions, licences and other intangible assets EUR 000	Intangibles under development EUR 000	Total EUR 000
As at 31.12.2018					
Cost value	36 710	17 172	4 464	423	58 769
Accumulated amortisation and impairment	–	(24)	(2 585)	–	(2 609)
Net book value	**36 710**	**17 148**	**1 879**	**423**	**56 160**
2019					
Additions	1 009	4	193	973	2 179
Reclassification	–	122	890	(956)	56
Disposals	–	–	(90)	(102)	(192)
Acquired through business combination **(Note 11.1)**	–	18	16	–	34
Acquired through business combination under common control **(Note 11.2)**	–	–	658	–	658
Amortisation	–	(58)	(1 290)	–	(1 348)
Foreign exchange differences	789	124	4	–	917
Impairment	–	(4 614)	–	–	(4 614)
Total	**38 508**	**12 744**	**2 260**	**338**	**53 850**
As at 31.12.2019					
Cost value	38 508	17 440	6 088	338	62 374
Accumulated amortisation and impairment	–	(4 696)	(3 828)	–	(8 524)
Net book value	**38 508**	**12 744**	**2 260**	**338**	**53 850**
2020					
Additions	3 804	594	1 333	253	5 984
Reclassification	–	–	(2)	2	–
Disposals	–	(44)	(45)	–	(89)
Amortisation	–	(113)	(1 430)	–	(1 543)
Foreign exchange differences	(1 332)	(286)	41	(2)	(1 579)
Total	**40 980**	**12 895**	**2 157**	**591**	**56 623**
As at 31.12.2020					
Cost value	40 980	17 683	7 273	591	66 527
Accumulated amortisation and impairment	–	(4 788)	(5 116)	–	(9 904)
Net book value	**40 980**	**12 895**	**2 157**	**591**	**56 623**

Segment level summary of goodwill is presented as following:

	31/12/2020 EUR 000	31/12/2019 EUR 000	31/12/2018 EUR 000
Production grain	5 935	5 935	5 935
Production agave	5 153	5 929	5 594
Distribution Baltics	12 312	12 312	12 312
Distribution UK	10 900	7 688	7 312
Distribution AUS	5 671	5 635	5 557
Distribution AUT	1 009	1 009	–
TOTAL:	**40 980**	**38 508**	**36 710**

The book value of trademark portfolio is presented as following:

	31/12/2020 EUR 000	31/12/2019 EUR 000	31/12/2018 EUR 000
Moskovskaya®	10 164	10 164	14 778
KAH®	2 005	1 765	1 666
Other trademarks	726	815	703
TOTAL:	**12 895**	**12 744**	**17 147**

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

Impairment review

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

The Group tests whether goodwill and the book value of trademarks have suffered any impairment on an annual basis. The management has identified eight cash generated units (CGUs) – Production Grain, Production Agave, Distribution Baltic, Distribution the United Kingdom (UK), Distribution Australia (AUS), and Distribution Austria (AUT). Trademarks Moskovskaya® and KAH® are treated as separate CGUs for impairment test purposes.

For the 2020 and previous reporting periods, the recoverable amount of the CGUs was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a three-year (for trademark related CGUs) and five-year (for other CGUs) period. Cash flows beyond the three-year or five-year period are extrapolated using the estimated growth rates stated below. The Group reviews the CGU composition annually and amends the CGU's subject to impairment review, if needed.

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

	Production		Distribution				Trademark	
2020	**Grain**	**Agave**	**Baltics**	**UK**	**AUS**	**AUT**	**Moskovskaya®**	**KAH®**
Sales volume growth, %	6	26	6	21	9	18	22	82
Sales price growth, %	0,2	(6,8)	2,0	(1,0)	2	4	0,4	0,4
EBITDA margin, %	13,7	15,2	10	3	10	2	n/a	n/a
Replacement CAPEX	2 500	120	462	50	11	10	n/a	n/a
Discount Rate	11,5%	13,8%	11,3%	11,0%	12,0%	11,0%	10,8%	13,8%
Terminal value growth	3,0%	2,1%	2,5%	1,6%	2,5%	1,6%	1,7%	1,8%

	Production		Distribution			Trademark	
2019	**Grain**	**Agave**	**Baltics**	**UK**	**AUS**	**Moskovskaya®**	**KAH®**
Sales volume growth, %	2	12,8	1,3	2	3	20	26
Sales price growth, %	–	–	2,1	(0,3)	–	5,0	0,3
EBITDA margin, %	12	5	4	2	6	n/a	n/a
Replacement CAPEX	2 034	–	1 065	111	–	n/a	n/a
Discount Rate	8%	9,1%	8,0%	7,4%	7,3%	11,3%	6,2%
Terminal value growth	1,3%	1,5%	1,3%	1,3%	3,0%	1,3%	1,3%

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

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

Sensitivity to change in key assumptions

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

13. Property, Plant and Equipment

Recognition and measurement

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

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

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

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

Depreciation

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

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

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

Freehold land is not depreciated.

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

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

Impairment of property, plant and equipment

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

	Land and buildings EUR 000	Machinery and equip-ment EUR 000	Other PPE EUR 000	Leasehold improve–ments EUR 000	Construc-tion in progress EUR 000	Total EUR 000
As at 31.12.2018						
Cost value	57 119	31 370	7 053	372	1 717	97 727
Accumulated depreciation and impairment	(18 749)	(20 993)	(5 345)	(133)	(779)	(46 095)
Net book value	**38 370**	**10 377**	**1 708**	**239**	**938**	**51 632**
2019						
Additions	48	559	270	–	3 547	4 424
Disposals	(38)	(54)	(7)	–	(3)	(102)
Reclassification	732	1 566	215	–	(2 565)	(52)
Reclassification to rights-of-use assets	–	(3 808)	(12)	(239)	–	(4 059)
Reclassification from rights-of-use assets	–	225	–	–	–	225
Acquired through business combination **(Note 11.1)**	–	47	47	–	–	94
Foreign exchange differences	1 985	455	9	–	14	2 463
Depreciation	(2 405)	(1 411)	(716)	–	–	(4 532)
Impairment	–	–	–	–	(340)	(340)
Total	**38 692**	**7 956**	**1 514**	**–**	**1 591**	**49 753**
As at 31.12.2019						
Cost value	59 223	28 354	7 163	–	2 711	97 451
Accumulated depreciation and impairment	(20 531)	(20 398)	(5 649)	–	(1 120)	(47 698)
Net book value	**38 692**	**7 956**	**1 514**	**–**	**1 591**	**49 753**
2020						
Additions	1 271	8	55	–	6 121	7 455
Disposals	(3)	(31)	(26)	–	(6)	(66)
Reclassification	1 171	3 250	516	–	(4 983)	(46)
Acquired through business combination **(Note 11.1)**	–	–	22	–	–	22
Foreign exchange differences	(4 568)	(844)	(45)	–	(35)	(5 492)
Depreciation	(2 216)	(1 650)	(700)	–	–	(4 566)
Total	**34 347**	**8 689**	**1 336**	**–**	**2 688**	**47 060**
As at 31.12.2020						
Cost value	57 090	30 538	7 543	–	3 808	98 979
Accumulated depreciation and impairment	(22 743)	(21 849)	(6 207)	–	(1 120)	(51 919)
Net book value	**34 347**	**8 689**	**1 336**	**–**	**2 688**	**47 060**

The gross carrying value of fully depreciated property, plant and equipment that is still in use is EUR 24 601 thousand (2019: EUR 26 320 thousand).

As at 31 December 2020 fixed assets of the Group with the net book value of EUR 19.8 million (31.12.2019: EUR 26 million) are pledged under the conditions of the Mortgage and Commercial pledge agreements as the security for loans from the credit institutions **(see Note 19)**.

14. Right-of-use Assets

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

	Land and buildings EUR 000	Machinery and equipment EUR 000	Leasehold improve-ments EUR 000	Total EUR 000
As at 01.01.2019	**5 860**	**4 268**	**239**	**10 367**
Additions	–	110	6	116
Change in management assumptions	885	92	–	977
Disposals	(101)	(50)	–	(151)
Acquired through business combination (Note 11.1)	919	118	50	1 087
Reclassification to property, plant and equipment	–	(225)	–	(225)
Foreign exchange differences	17	75	–	92
Depreciation	(1 959)	(805)	(90)	(2 854)
As at 31.12.2019	**5 621**	**3 583**	**205**	**9 409**
Additions	395	73	4	472
Change in management assumptions	578	76	–	654
Disposals	(34)	(4)	9	(29)
Foreign exchange differences	(36)	64	–	28
Depreciation	(1 942)	(662)	(87)	(2 691)
As at 31.12.2020	**4 582**	**3 130**	**131**	**7 843**

15. Investment Properties

Investment properties are land, buildings or part of buildings held by the Group to earn rentals or for capital appreciation rather than use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business and are not occupied by the Group. Investment properties are initially recognised at acquisition cost. Subsequently investment properties are carried at their cost less any accumulated depreciation and any accumulated impairment losses.

The depreciation is calculated using the straight-line method. Applied depreciation rates are within the range of 10 to 71 years and are based on estimated useful life set for respective asset categories. The useful lives are reviewed, and adjusted if appropriate, at each end of the financial year. Transfers are made to (or from) investment properties only when there is a change in use. Impairment of investment properties is recognized if the net book value exceeds the fair value.

	2020 EUR 000	2019 EUR 000
Opening balance	1 808	1 912
Additions	8	–
Acquisition through business combination	904	–
Depreciation	(103)	(104)
Closing balance	**2 617**	**1 808**

Investment properties consist of several land plots and commercial buildings in Riga, Latvia, which are held for rental income generation purposes. The fair value of investment properties is estimated to be EUR 2 915 thousand (2019: EUR 2 011 thousand). The fair value has been assessed in 2018 and 2020 by independent valuation expert. In the management has assessed that there are no significant changes to the market value of the investment properties.

Direct income in amount of EUR 140 thousand (2019: EUR 154 thousand) and direct expense in amount of EUR 30 thousand (2019: EUR 54 thousand) from rent of investment properties was recognised in the statement of comprehensive income.

16. Biological Assets

Agave plants growing on the plantation are accounted as biological assets until the point of harvest. Biological assets are measured on initial recognition and at the end of each reporting period at fair value less cost to sell. Changes in fair value of growing agave plants are recognized in the consolidated statement of comprehensive income. Costs related to growing agave plants are capitalized.

Fair value of agave plants is determined by reference to expected market prices at the expected year of harvest, adjusted by the costs to reach maturity. Significant estimates include the time of harvest, sales price at the point of harvest, costs to incur until harvest.

	31/12/2020 EUR 000	31/12/2019 EUR 000
Opening balance	–	
Additions	9 309	–
Gain on change in fair value	816	–
Closing balance	**10 125**	**–**

17. Working Capital

Inventories

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

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

Trade receivables

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

Trade receivables are recognised initially at invoiced amount and subsequently measured at amortised cost using the effective interest method, less loss allowance, which is recognised according to the simplified approach of expected credit loss method (see Note 18.5).

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.

17.1. Inventories

	31/12/2020 EUR 000	31/12/2019 EUR 000	31/12/2018 EUR 000
Raw materials	16 923	19 925	16 940
Finished goods and merchandize	54 407	44 941	42 869
Production in progress	4 701	5 509	6 389
Goods on the way	2 211	754	2 451
Other	165	427	657
Provisions for obsolete inventories	(2 037)	(2 248)	(2 046)
Total	**76 370**	**69 308**	**67 260**

Inventories of the Group with the book value as of 31 December 2020 of EUR 44.4 million (31.12.2019: EUR 51 million) are pledged in accordance with the terms of Commercial pledge agreements as the security for loans from the credit institutions (see Note 19).

17.2. Trade and Other Receivables

	31/12/2020 EUR 000	31/12/2019 EUR 000	31/12/2018 EUR 000
Gross trade receivables	88 008	95 152	81 290
Allowance for doubtful debts	(2 769)	(2 542)	(2 230)
Net trade receivables	**85 239**	**92 610**	**79 060**
Receivables from related parties	24 937	20 828	24 571
Other debtors and prepayments	7 464	8 316	7 896
Total	**117 640**	**121 754**	**111 527**

Information about major customers

Concentration of credit risk of Trade receivables with the customers of similar characteristics as at 31 December 2020 is 18% (31.12.2019: 18%).

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

Trade receivables with the book value as at 31 December 2020 of EUR 22.8 million (31.12.2019: EUR 24 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 19).** For credit risk analysis see also **Note 18.5.**

17.3. Taxes Payable

	31/12/2020 EUR 000	31/12/2019 EUR 000	31/12/2018 EUR 000
Excise tax	47 293	29 509	30 231
Value added tax	11 740	9 846	8 454
Corporate income tax	594	99	441
Other	4 221	2 245	1 853
Total	**63 848**	**41 699**	**40 979**

17.4. Trade and Other Payables

	31/12/2020 EUR 000	31/12/2019 EUR 000	31/12/2018 EUR 000
Trade payables	42 568	41 474	39 595
Accrued expense	7 586	8 666	8 162
Payables to related parties	1 642	3 679	3 005
Dividends payable	600	2 761	–
Vacation reserve	1 522	1 724	1 735
Salaries payable	897	964	1 081
Contingent consideration	499	748	3 991
Advances received	255	119	82
Deferred income	563	200	69
Other payables	2 594	1 223	223
Total	**58 726**	**61 558**	**57 943**
Out of that:			
Non-current	115	109	50
Current	58 611	61 449	57 893

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30-day terms;
- Other payables are non-interest bearing and have an average term of six months except for dividends, which are payable on demand;
- For terms and conditions with related parties refer to **Note 26.**

For explanations on the Group's liquidity risk management processes, refer to **Note 18.6.**

Contingent consideration is related to acquisition of the Indie Brands group and Mountain Spirits group entities **(see Note 11.1).**

Risk Management and Capital Structure

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

18. 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.

18.1. 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 19).

18.2. 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 (see also Note 18.3 and 18.4).

18.3. 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 2020 are not hedged (see also Note 19).

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

	31/12/2020 EUR 000	31/12/2019 EUR 000	31/12/2018 EUR 000
At floating rates	48 882	39 238	38 929
Total	**48 882**	**39 238**	**38 929**

		Effect on comprehensive income	
Currency on the the borrowing	**Change in basis points**	**2020 EUR 000**	**2019 EUR 000**
EUR	+30	135	105
	-30	(135)	(105)
RUB	+30	10	13
	-30	(10)	(13)

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

18.4. Foreign currency risk

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

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

	31/12/2020 CUR 000	31/12/2019 CUR 000	31/12/2018 CUR 000
Financial assets in RUB	1 121 600	1 042 327	1 028 698
Financial liabilities in RUB	(1 476 691)	(1 515 161)	(1 346 348)
Open position in RUB, net	(355 091)	(472 834)	(317 650)
Open position in RUB calculated in EUR, net	**(3 882)**	**(6 759)**	**(3 985)**
Financial assets in USD	2 547	3 658	1 327
Financial liabilities in USD	(1 837)	(3 801)	(1 828)
Open position in USD, net	710	(143)	(501)
Open position in USD calculated in EUR, net	**579**	**(127)**	**(438)**

	31/12/2020 CUR 000	31/12/2019 CUR 000	31/12/2018 CUR 000
Financial assets in GBP	9 903	12 222	10 605
Financial liabilities in GBP	(5 576)	(4 399)	(8 624)
Open position in GBP net	4 327	7 823	1 981
Open position in GBP calculated in EUR, net	**4 813**	**9 195**	**2 215**
Financial assets in MXN	14 420	23 556	19 753
Financial liabilities in MXN	(3 367)	(7 685)	(21 867)
Open position in MXN net	11 053	15 871	(9 411)
Open position in MXN calculated in EUR, net	**453**	**748**	**(94)**
Financial assets in AUD	16 468	14 299	7 577
Financial liabilities in AUD	(1 175)	(12 987)	(8 178)
Open position in AUD net	15 293	1 312	(601)
Open position in AUD calculated in EUR, net	**9 621**	**820**	**(371)**

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

	2020		2019	
	Change in currency rate	Effect on equity and comprehensive income, EUR 000	Change in currency rate	Effect on equity and comprehensive income, EUR 000
RUB	+10%	353	+10%	614
	-10%	(432)	-10%	(751)
USD	+10%	(53)	+10%	11
	-10%	64	-10%	(14)
GPB	+10%	(438)	+10%	(836)
	-10%	535	-10%	1 022
MXN	+10%	(41)	+10%	(68)
	-10%	50	-10%	83
AUD	+10%	(875)	+10%	(74)
	-10%	1 069	-10%	91

18.5. Credit risk

Credit risk is the risk that a counter-party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, foreign exchange transactions and other financial instruments. The Group's policy provides that the goods are sold and services are provided to customers with appropriate credit history. If there is no independent rating available, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Group. The compliance with credit limits by customers is regularly monitored by line management.

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

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

While cash and cash equivalents are also subject to the impairment requirement of IFRS 9, the identified impairment loss was immaterial. Receivables from related parties do not involve material credit risk as there is no evidence that would indicate impairment loss.

	31/12/2020 EUR 000	31/12/2019 EUR 000	31/12/2018 EUR 000
Issued loans to Group companies	30 472	24 987	24 485
Non-current financial assets	2 734	3 163	2 632
Net trade receivables	85 239	92 610	79 060
Receivables from related parties	24 937	20 828	24 571
Other debtors and prepayments	6 429	8 316	7 896
Cash	8 356	8 142	4 048
Total	**158 168**	**158 046**	**142 692**

The largest concentration of credit risk arises from the debts of Group companies and loan issued to Group companies: on 31 December 2020 35% of total positions are related to Group companies (31.12.2019: 29%). Taking into account the strong position of the Group, no provisions for impairment losses on issued loans to Group companies and Receivables from related parties were made. The Group considers the credit risk on particular items to be low.

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. On that basis, the loss allowance as at 31 December 2020 was determined for trade receivables, as follows:

31 December 2020	Total	Not due	1-90	91-180	181-270	270-360	361-
Gross carrying amount - Trade receivables	88 008	76 072	9 168	441	140	184	2 003
Expected loss rate		0,45%	0,95%	15%	65%	100%	100%
Loss allowance	**(2 769)**	**(338)**	**(87)**	**(66)**	**(91)**	**(184)**	**(2 003)**

31 December 2019	TOTAL	Not due	1-90	91-180	181-270	270-360	361-
Gross carrying amount - Trade receivables	95 152	76 874	13 158	3 363	438	567	752
Expected loss rate		0,4%	0,95%	15%	65%	100%	100%
Loss allowance	**(2 542)**	**(309)**	**(125)**	**(504)**	**(285)**	**(567)**	**(752)**

31 December 2018	TOTAL	Not due	1-90	91-180	181-270	270-360	361-
Gross carrying amount - Trade receivables	81 290	63 814	14 819	749	113	61	1 734
Expected loss rate		0,30%	0,75%	10%	50%	100%	100%
Loss allowance	**(2 230)**	**(192)**	**(111)**	**(75)**	**(57)**	**(61)**	**(1 734)**

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

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

	2020 EUR 000	2019 EUR 000	2018 EUR 000
As at 1 January	**2 542**	**2 230**	**1 388**
Acquired through business combination	13	125	1 212
Increase in loss allowance recognized in profit or loss during the year	1 132	379	333
Receivables written off during the year as uncollectible	–	(91)	(356)
Foreign exchange differences	(232)	140	(75)
Unused amounts reversed	(685)	(241)	(272)
At 31 December	**2 769**	**2 542**	**2 230**

18.6 Liquidity Risk

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

The table below summarises the maturity profile of the Group's undiscounted financial liabilities as at 31 December 2020.

Year ended 31 December 2020

Financial liabilities	Less than 1 year EUR 000	Between 2 and 5 years EUR 000	More than 5 years EUR 000	Total contractual cash flows EUR 000	Carrying amount EUR 000
Interest bearing loans and borrowings	47 417	25 656	–	73 073	67 734
Leases	2 780	4 439	–	7 219	6 517
Derivatives	–	167	–	167	167
Trade and other payables	109 877	102	–	109 979	109 979
Total:	**160 074**	**30 364**	**–**	**190 438**	**184 397**

Year ended 31 December 2019

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

Year ended 31 December 2018

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

As at 31 December 2020, the Group has further EUR 12 695 thousand (31.12.2019: 21 855 thousand) of undrawn facilities available under the terms of credit line agreements with financial institutions.

18.7. Fair Value Measurement

Management assessed that fair value of cash and cash equivalents, trade receivables, loans issued, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. For non-current financial assets and liabilities, the fair values are also not significantly different to their carrying amounts. The fair values were estimated based on cash flows discounted using the current lending rate.

Fair value hierarchy

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

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

All the Group's financial assets and financial liabilities except for cash, which can be classified in Level 2, can be classified in Level 3 of fair value hierarchy. The fair value of financial assets and financial liabilities approximates to their book value. Fair value of biological assets is classified in Level 3. See also Note 16.

18.8. Financial Assets and Financial Liabilities

	31/12/2020 EUR 000	31/12/2019 EUR 000	31/12/2018 EUR 000
Financial assets			
Financial assets at amortised cost			
Loans to related parties	30 472	24 987	24 485
Non-current financial investments	2 734	2 730	2 632
Trade and other receivables	110 176	113 438	103 631
Other assets	4 824	3 711	3 798
Other receivables	1 605	3 700	3 549
Cash and cash equivalents	8 356	8 142	4 048
Total	**158 167**	**156 708**	**142 143**
Financial liabilities			
Liabilities at amortised cost			
Loans from credit institutions	58 216	55 558	55 139
Loans from related parties	9 516	11 294	5 508
Lease liabilities	6 517	8 238	2 863
Trade and other payables	108 913	96 865	93 494
Other liabilities	13 098	6 193	5 359
Total	**196 260**	**178 148**	**162 363**

19. 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 the statement of comprehensive income over the period of the borrowings using the effective interest method.

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

Current interest bearing loans and borrowings	Interest rate %	Maturity	31/12/2020 EUR 000	31/12/2019 EUR 000	31/12/2018 EUR 000
Bank overdrafts - Luminor	EONIA + 2.5%	31/01/2022	13 136	3 578	21 921
Bank overdrafts - Swedbank	3M EURIBOR + 2%		–	–	2 518
Bank overdrafts - Sberbank	MosPrime 3M+1.11%	28/05/2021	–	916	641
Bank overdrafts - OTP bank	MosPrime 1M+0.7%	02/06/2022	2 187	2 859	2 509
Bank overdrafts - VTB bank	MosPrime 1M+1.85%	10/10/2022	328	429	–
Bank overdrafts - Rosbank	MosPrime 1M+1.85%	24/11/2021	731	–	–
Bank overdrafts - Scotpac	1m BBSY + 4%		–	–	4 090
Bank overdrafts - Royal Bank of Scotland	3%	16/11/2021	688	–	2 734
EUR 7.9m bank loan - Swedbank (Latvijas balzams)	3M EURIBOR + 2.2%		–	–	1 392
EUR 8.9m bank loan - Luminor (Latvijas balzams)	1M EURIBOR + 2.65%	31/12/2023	311	269	–
EUR 5m bank loan - Luminor (Amber Distribution Latvia)	1M EURIBOR +2.50%	31/12/2023	153	–	–
EUR 0.6m bank loan - Luminor (Amber Distribution Latvia)	3M EURIBOR + 2.50%	31/12/2023	58	–	–
EUR 1m bank loan - Luminor (Amber Distribution Latvia)	3M EURIBOR + 2.50%	31/12/2023	100	–	–
EUR 2,9m bank loan - Swedbank AS (Bennet Distributors)	3M EURIBOR + 2.2%		–	–	980
EUR 7m bank loan - Luminor (Amber Beverage Group Holding)	3M EURIBOR + 2.75%	31/12/2023	1 636	1 418	–
EUR 1.5m bank loan - Luminor (Amber Beverage Group Holding)	3M EURIBOR + 2.75%	31/12/2023	311	–	–
EUR 13m bank loan - BlueOrange Bank AS (Bennet Distributors)	4.5%		–	5 858	–
EUR 3.6m bank loan - Luminor (Amber Beverage Group Holding)	3M EURIBOR + 2.75%	31/12/2023	831	720	–
EUR 27m Bank Loan - Credit Suisse (Amber Beverage Group Holding)	3M EURBIOR+2.4%		27 000	–	–
Accrued interest on bank loans			41	72	12
Loans from related parties (EUR)	3%	31/12/2022	6	–	1 023
Loans from related parties (MXN)	8%	30/09/2025	82	–	–
Loans from related parties (AUD)	10%	01/12/2024	28	63	–
Total current interest bearing loans and borrowings			**47 627**	**16 182**	**37 820**

Non-current interest bearing loans and borrowings	Interest rate %	Maturity	31/12/2020 EUR 000	31/12/2019 EUR 000	31/12/2018 EUR 000
EUR 8.9m bank loan - Luminor (Latvijas balzams	1M EURIBOR + 2.65%	31/12/2023	891	1 077	1 347
EUR 7.9m bank loan - Swedbank (Latvijas balzams	3M EURIBOR + 2.2%		–	–	2 089
EUR 1m bank loan - Luminor (Amber Distribution Latvia)	3M EURIBOR + 2.5%	31/12/2023	400	500	500
EUR 0.6m bank loan - Luminor (Amber Distribution Latvia)	3M EURIBOR + 2.5%	31/12/2023	233	292	292
EUR 5m bank loan - Luminor (Amber Distribution Latvia)	1M EURIBOR +2.5%	31/12/2023	610	763	763
EUR 27m bank loan - Credit Suisse (Amber Beverage Group Holding)	3M EURIBOR + 2.4%	03/12/2021	–	27 000	–
EUR 2,9m bank loan - Swedbank AS (Bennet Distributors)	3M EURIBOR + 2.2%		–	–	1 434
EUR 7m bank loan - Luminor (Amber Beverage Group Holding)	3M EURIBOR + 2.75%	31/12/2023	4 690	5 671	7 089
EUR 1.5m bank loan - Luminor (Amber Beverage Group Holding)	3M EURIBOR + 2.75%	31/12/2023	1 245	1 556	1 556
EUR 3.6m bank loan - Luminor (Amber Beverage Group Holding)	3M EURIBOR + 2.75%	31/12/2023	2 082	2 580	3 286
GBP 0.05m loan - Bank of Scotland (Indie Brands)	2.50%	26/10/2026	56	–	–
EUR 0.5m bank loan - Sparkasse (Mountain Spirits Österreich)	3M EURIBOR + 0.75%	30/06/2025	500	–	–
Loans from related parties (EUR)	3%	31/12/2022	51	–	–
Loans from related parties (MXN)	8%	30/09/2025	4 903	–	–
Loans from related parties (AUD)	10%		–	6 252	–
Loans from related parties (RUB)	6–11%	31/12/2023	4 417	4 948	4 273
Loans from related parties (USD)	1.575%	22/12/2025	29	31	28
Loans from related parties (GBP)	7.25%		–	–	184
Total non-current interest bearing loans and borrowings			**20 107**	**50 670**	**22 841**
Total interest bearing loans and borrowings			**67 734**	**66 852**	**60 661**

	2020 EUR 000	2019 EUR 000
Opening balance	66 852	60 661
Acquired through business combinations	1 652	1 311
Acquired through reorganisation of the Group	58	–
Borrowings received	20 348	50 153
Borrowings repaid	(28 598)	(22 421)
Net changes in overdrafts	9 193	(24 358)
Foreign exchange differences	(1 938)	1 157
Calculated interest	2 377	2 412
Interest paid	(2 210)	(2 063)
Closing balance	**67 734**	**66 852**

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

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

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

20. Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset of a period of time in exchange for consideration.

The Group as a lessee

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

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

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of other property, plant and equipment items (i.e., those leases that have a lease term less than 12 months from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payment on short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis over the lease term.

	2020 EUR 000	2019 EUR 000
As at 1 January	**8 238**	**9 115**
Additions	130	120
Acquired through business combination	–	961
Impact on changes in assumptions	920	807
Negative variable consideration	(172)	–
Interest	(37)	101
Payments	(2 427)	(2 866)
Foreign exchange difference	(135)	–
As at 31 December	**6 517**	**8 238**
Accounted as:		
Non-current liabilities	3 910	5 416
Current liabilities	2 607	2 822
Total	**6 517**	**8 238**

21. Capital Management

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

The Management controls the gearing ratio, calculated as net debt (interest bearing loans and borrowings, leases net of cash and cash equivalents) to equity. During the reporting period the gearing ratio is 40% (31.12.2019: 41%) and ratio equity to total assets is 45% (31.12.2019: 48%).

Net debt calculation is presented as follows:

	31/12/2020 EUR 000	31/12/2019 EUR 000	31/12/2018 EUR 000
Cash and cash equivalents **(Note 27)**	8 356	8 142	4 048
Interest bearing loans and borrowings **(Note 19)**	(67 734)	(66 852)	(60 661)
Leases **(Note 20)**	(6 517)	(8 238)	(2 863)
Total net debt	**(65 895)**	**(66 948)**	**(59 476)**

	Cash and cash equivalents EUR 000	Leases due after 1 year EUR 000	Leases due within 1 year EUR 000	Borrowings due after 1 year EUR 000	Borrowings due within 1 year EUR 000	Total EUR 000
Net debt as at 1 January 2019	**4 048**	**(3 993)**	**(5 122)**	**(22 841)**	**(37 820)**	**(65 728)**
Cash flows	**3 800**	**–**	**1 121**	**3 585**	**42 254**	**50 760**
New leases and borrowings	–	(120)	–	(33 153)	(17 614)	(50 887)
Other non-cash movement	294	(1 303)	1 179	1 739	(3 002)	(1 093)
Net debt as at 31 December 2019	**8 142**	**(5 416)**	**(2 822)**	**(50 670)**	**(16 182)**	**(66 948)**
Cash flows	(157)	–	2 427	6 467	23 385	32 122
New leases and borrowings	–	(130)	–	(500)	(30 215)	(30 845)
Other non-cash movement	371	1 636	(2 212)	24 596	(24 615)	(224)
Net debt as at 31 December 2020	**8 356**	**(3 910)**	**(2 607)**	**(20 107)**	**(47 627)**	**(65 895)**

22. 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 2020 is EUR 12 500 (31.12.2019: EUR 12 500) and consists of 12 500 shares with par value of EUR 1 each. Share capital has been fully paid.

As the result of Group reorganization started in 2017 and finalized in 2018, the shareholders of the Parent Company have contributed the share premium in the amount of EUR 132.6 million.

23. Pooling Reserve

In 2017, the Group acquired a 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 the SPI Group reorganisation, the assets and liabilities were accounted at their book values on the date of acquisition.

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

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

In 2020, the Group acquired a 100% shareholding in Rits Holdings SIA from the related party SPI Real Estate Holding Sarl AS the transactions was treated as part of the SPI Group reorganisation, the assets and liabilities were accounted at their book value on the date of transaction. See details of pooling reserve calculation in **Note 11.2.**

24. Non-Controlling Interest

	2020 EUR 000	2019 EUR 000
Opening balance	9 307	6 295
Share of profit for the period	1 077	3 086
Dividends	(46)	(74)
Foreign exchange differences	(252)	–
Closing balance	**10 086**	**9 307**

Other Financial Information

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

25. Commitments and Contingencies

25.1. Guarantees Issued

The Group entity - Latvijas balzams AS - has issued a guarantee to Luminor Bank AS Latvian branch for the related company S.P.I. Spirits (Cyprus) Ltd. of EUR 13.2 million, resulting from Overdraft agreement signed in July 2007. The guarantee is valid until the fulfilment of all overdraft contract obligations and the deadline is defined as 31 December 2022. SPI Spirits (Cyprus) Limited pays a guarantee fee to the guarantor in an amount equal to the annual interest rate of 6.3% of the used overdraft amount.

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

25.2. Guarantees Received

In 2015, Luminor Bank AS Latvian Branch has issued two guarantees to the Group entities Latvijas balzams AS and Amber Distribution Latvia SIA for total maximal amount of EUR 783 thousand. The applied interest rate is EURIBOR + 2.05% maturity date – 31 December 2021 and 31 January 2022.

25.3. Trademark Related Contingencies

Moskovskaya® case

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

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

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

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

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

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

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

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

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

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

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

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

Austria: In August 2014 the Regional Court of Linz, Austria, rendered a decision in a case filed by FKP in 2005 by which the court ordered the trademarks in Austria to be transferred to FKP. This decision was reversed by the appeals court in December 2014 and FKP appealed to the Cassation Court of Austria which ordered the appeals court to consider the possible binding effect of the Dutch decisions. On 5 February 2018, the appeals court ruled in favor of SPI. The appeals court held that the Dutch decisions had no binding effect in Austria and went on to criticize the Dutch courts' approach, finding that the Dutch courts: a) wrongly found that an invalidity of the Russian privatization would not be subject to any limitation period, b) ignored the fact that the privatization had been accepted by all parties for years until political power in Russia changed in 1999/2000, and c) ignored considerations on the merits of Russian limitation law. FKP appealed to the Austrian Supreme Court, which decided in June 2018 to return the case to the appeals court for further consideration. On 5 September 2018, the Appeals Court issued a decision negative to SPI. SPI filed an extraordinary appeal on 8 October 2018, which was rejected by the Austrian Supreme Court in April 2020. Further proceedings will take place to quantify damages, which are not expected to have a material adverse impact. A second related trademark infringement case was filed by FKP in August 2020 against Amber IP Brands Sarl and ZHS IP Europe Sarl. An initial court hearing is scheduled for April 2021.

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

Australia: In Australia, a motion to stay the proceedings was filed by SPI as a result of the Russian Federation's failure to provide discovery. On 20 November 2017 the Federal Court of Australia ordered that the case be stayed until further notice. The Court confirmed that the Russian Federation was the "real plaintiff" in the proceeding, and suspended the case unless the Russian Federation produces documents that it has been withholding for years. The Russian Federation did not produce the relevant documents by the deadline of 30 November 2018, and SPI filed a motion to dismiss FKP's claims. On 30 May 2019, the Court found that the Russian Federation's failure to provide discovery amounted to an abuse of process and ordered a permanent stay relating to all parts of the proceedings which relate to topics in respect of which the Russian Federation has failed to provide discovery. On 31 October 2019, the Court ordered any further proceedings on FKP's asserted claims permanently stayed. FKP has appealed this decision and a hearing took place in August 2020. A decision is expected at a later date.

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

Greece: In July 2014, SPI received a decision in its favour in the Athens Court of First Instance in respect of a claim filed by FKP to terminate SPI's rights to the Stolichnaya and Moskovskaya trademarks. In the meantime, FKP filed a new lawsuit in Greece in December 2015 seeking acknowledgment of the res judicata of the judgments of the Russian court and The Hague Court of Appeals and seeking declaration of ownership of the dispute trademarks. In September 2019 the court dismissed FKP's lawsuit on the grounds of lack of jurisdiction and lack of legal interest in the proceedings. FKP has appealed this decision and a hearing is scheduled for May 2021.

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

Israel: In July 2018, FKP filed a complaint against Spirits and ZHS IP Worldwide but was not able to complete valid service. Service was confirmed in May 2019 and the case is proceeding. A witness hearing was held in December 2020.

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

25.4 Lawsuit Related Contingencies

Ierosme case

In 2015 the Group'ssubsidiary Latvijas balzams AS (LB) 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 (Ierosme). The claim relates to construction work done for a total amount of EUR 248 thousand, including fines and interest. Daugavgrivas 7 SIA has filed the counter claim for the compensation of losses for the total amount of EUR 882 thousand. LB joined as a defendant in the lawsuit against Ierosme as a limited liability company Daugavgrivas 7 legal successor.

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

On 19 January 2017 Ierosme has appealed a cassation with request to set aside the judgment in relation to rejection of LB debt and penalty recovery and refer the case for retrial. By the judgment of the Senate of the Republic of Latvia of 12 September 2019, the judgment of the Chamber of Civil Cases of the Supreme Court of 14 October 2016 has been annulled and the case has been remanded to the Riga Regional Court.

On October 20, 2020, the Court decided to satisfy the claim of Ierosme against LB for debt and penalty recovery. LB appealed the judgment by filing a cassation appeal. The proceedings are still ongoing. The Group considers the legal proceeding as insufficiently grounded, therefore no accruals in these respects have been recognized.

Slovenian tax case

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

On 3 July 2017 an appeal of the decision of tax authorities was filed, together with request to postpone the extraction of the alleged tax debt until final resolution. The request to postpone payments was granted shortly after respective request. In the appeal it has been argued that tax authorities have made several procedural mistakes as well as have applied law retrospectively. LB argued that should not be liable for the tax debt as was acting in accordance with applicable legislation. On 5 March 2019, the appellate body dismissed the LB's appeal as unfounded. As no ordinary remedy was available against the decision of the appellate body, an administrative case was brought against the decision at first instance. The case was filed with the Administrative Court of the Republic of Slovenia on 10 April 2019. The proceeding is still ongoing, and the court has not yet set a date for the hearing.

Environment pollution case

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

Liepaja fire case

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

On late 21 August 2016 a fire incident took place in the retail store, resulting in damages done by fire, smoke and soot to Maxima and several other stores located at "XL sala" shopping center. Maxima's insurer Compensa Vienna Insurance (Compensa) has started a legal action against ADL in Daugavpils court, claiming amount of EUR 918 thousand (insurance indemnity paid to Maxima Latvia SIA) in this case. The claim is based on experts conclusions and opinion regarding cause of fire. According to these conclusions, most probable place of origin of fire was damage in electrical installation. Ergo Insurance SE, which was a co-insurer, was invited as a third party.

ADL does not see strong evidence that fire started particularly in the Red Bull refrigerator or any other reasons why ADL could be held responsible for the fire. Therefore, ADL does not recognize the Compansa claim in full and finds it groundless.

In August 2020 Compensa and ADL entered into a settlement which had not been approved by the court for formal reasons. In September 2020 Compensa applied to the court to withdraw the claim. Ergo Insurance SE, for its part, applied to the Court for leave to intervene in support of the form of order sought by the applicant, maintaining a claim of EUR 184 thousand. The court had rejected Ergo Insurance SE's claim. The decision has not yet been taken and the proceedings are ongoing.

26. Related Party Transactions

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

Balances and transactions between the Parent Company and its subsidiaries, which are related to the Parent Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties (related through the SPI Group Holding Limited or 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 SPI Group Holding Limited (until 14 May 2020 - S.P.I. Group S.a r.l.) which is incorporated in Cyprus and its sole shareholder is Mr. Yuri Shefler.

26.1. Trading Transactions

	Amounts owed by related parties			Amounts owed to related parties		
	31/12/2020 EUR	31/12/2019 EUR	31/12/2018 EUR	31/12/2020 EUR	31/12/2019 EUR	31/12/2018 EUR
Parent Company	985	719	493	9	635	33
Other related parties	23 952	20 109	24 078	1 633	3 044	2 972
Total controlled by the Ultimate controlling party	**24 937**	**20 828**	**24 571**	**1 642**	**3 679**	**3 005**

	Sale of services and goods		Purchase of services and goods	
	2020 EUR 000	2019 EUR 000	2020 EUR 000	2019 EUR 000
Parent Company	–	21	165	–
Other related parties	41 205	49 146	594	8 143
Total controlled by the Ultimate controlling party	**41 205**	**49 167**	**759**	**8 143**

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 2020 the Group has not recorded any impairment of receivables relating to amounts owed by related parties (31.12.2019: 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.

26.2. Loans from and to Related Parties

	31/12/2020 EUR 000	31/12/2019 EUR 000	31/12/2018 EUR 000
Loans to related parties			
Issued by Parent Company			
Non-current portion	28 268	23 329	23 329
Current portion	2 204	1 506	806
Total:	**30 472**	**24 835**	**24 135**
Issued by other companies			
Non-current portion	–	152	129
Current portion	–	–	221
Total:	**–**	**152**	**350**
Total loans to related parties	**30 472**	**24 987**	**24 485**
Loans from related parties			
Received by Parent Company			
Non-current portion	4 821	6 252	184
Current portion	110	63	–
Total:	**4 931**	**6 315**	**184**
Received by other companies			
Non-current portion	4 579	4 979	4 301
Current portion	6	–	1 023
Total:	**4 585**	**4 979**	**5 324**
Total loans from related parties	**9 516**	**11 294**	**5 508**

Loans to and from related parties have been issued to and received from related parties within SPI Group. The non-current loans issued to related parties are not secured and are maturing in 2022-2025. The Group has applied fixed interest rate of 3-7% (2019: 3-7%) for the long-term loans issued determined based on Transfer Pricing study. The current portion of loans to related parties mainly consists of accrued interest on long term loans.

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

26.3. Compensation to key management personnel

	2020 EUR 000	2019 EUR 000
Short-term employee benefits	3 042	2 488
Social security costs	486	677
Total	**3 528**	**3 165**

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

27. Cash and Cash Equivalents

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

	31/12/2020 EUR 000	31/12/2019 EUR 000	31/12/2018 EUR 000
Cash at bank	8 200	7 923	3 780
Petty cash	3	3	2
Cash in shops	126	137	111
Cash in transit	27	79	155
Total	**8 356**	**8 142**	**4 048**

Cash at bank includes restricted cash in the amount of EUR 392 thousand ((31.12.2019: EUR 231 thousand)), which has been placed as security deposit for guarantees towards lending institutions and tax authorities. Cash at banks are held with credit institutions with stable credit ratings.

28. Group Information

Name	Principal activities	Country of incorporation/ operations	% Equity interest 31/12/2020	% Equity interest 31/12/2019
Latvijas balzams AS	Production of alcoholic beverages	Latvia	89.99%	89.99%
Amber Distribution Latvia SIA	Distribution	Latvia	100%	100%
Amber Distribution Estonia OU	Distribution	Estonia	100%	100%
Bennet Distributors UAB	Distribution	Lithuania	100%	100%
Bravo SIA [1]	Retail sales	Latvia	–	100%
Amber IP Brands S.à r.l.	IP management	Switzerland	100%	100%
Amberbev International Ltd	Distribution	Cyprus	100%	100%
Fabrica de Tequilas Finos, S.A. De C.V.	Production of alcoholic beverages	Mexico	100%	100%
FTF Agro S.A. de C.V. [2]	Agricultural activities	Mexico	100%	–
Interbaltija AG AS	Distribution	Latvia	100%	100%
Interbaltija Arka SIA [3]	Retail sales	Latvia	–	100%
Amber Beverage Group SIA	Management services	Latvia	100%	100%
Amber Beverage Group UK Limited	Holding activities	the UK	100%	100%
Cellar Trends Holding Limited	Holding activities	the UK	100%	100%
Cellar Trends Limited	Distribution	the UK	100%	100%
Tambovskoye spirtovoye predpiyatyie Talvis AO	Rectification of ethyl alcohol	Russia	72.87%	72.87%
Remedia AS	Production of alcohol beverages	Estonia	100%	100%
Think Spirits Pty Ltd	Distribution	Australia	100%	90%
Permalko AO	Production of alcoholic beverages	Russia	92.6%	92.6%
Mountain Spirits Österreich GmbH	Distribution	Austria	90%	90%
Barexpress Getränke GmbH [4]	Distribution	Austria	–	90%
Mountain Spirits Deutschland GmbH	Distribution	Germany	90%	90%
Skoniu Krastas UAB	Dormant	Lithuania	100%	100%
Indie Brands Ltd [5]	Distribution	the UK	75%	–
Indie Spirits Ltd [5]	Distribution	the UK	75%	–
Think Spirits NL B.V. [6]	Management services	the Netherlands	100%	–
ABG Real Estate SIA [7]	Real estate management	Latvia	100%	–
Rits Holding SIA [8]	Real estate management	Latvia	100%	–

1 On 1 January 2020 as part of the reorganisation process Bravo SIA was merged into Amber Distribution Latvia SIA.

2 On 30 June 2020 the Group established FTF Agro S.A. de C.V. with the purpose to manage the agave fields in Tequila region, Mexico.

3 On 1 April 2020 the reorganisation process of merging Interbaltija Arka SIA into Interbaltija AG AS was executed.

4 On 1 May 2020 the merger of Mountain Spirits Osttereich GmbH and Barexpress Getranke GmbH was executed.

5 On 9 January 2020 the Parent company acquired 75% share capital of Indie Brands Ltd – distributor of beverages in the UK. Indie Brands Ltd is the sole shareholder of Indie Spirits Ltd.

6 On 3 June 2020 the Parent company incorporated a new subsidiary Think Spirits NL B.V. based in the Netherlands for management service providing purpose.

7 On 29 April 2020 the Parent company incorporated a new subsidiary ABG Real Estate SIA based in Latvia with the primary goal to manage construction of ultra-modern, automated warehouse project in Riga.

8 On 18 December 2020 Amber Distribution Latvia SIA acquired a new subsidiary Rits Holding SIA whose key activity is real estate management in Riga, Latvia.

29. Other Accounting Policies

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

Revenue from contracts with customers

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

Sale of finished goods

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

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

(i) Variable consideration

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

• *Volume rebates*

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

• *Rights of return*

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

(ii) Contract assets - Trade receivables

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

Revenue from providing services

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

Financing components

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

Financial assets

(i) Classification

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

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

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

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

Debt instruments

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

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

Equity instruments

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

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

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

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

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

The Group applies the simplified approach under IFRS 9 in determining expected credit losses for trade receivables, which requires the recognition of provisions for lifetime expected credit losses for all trade receivables that are grouped based on common credit characteristics and past due payments. The amount of the expected credit losses depends on the days in arrears.

For all other financial assets for which impairment monitoring is required under IFRS 9, the Group applies the general approach of a three-step impairment model based on changes in credit quality since initial recognition. A financial instrument that is not impaired at initial recognition is classified as a Level 1 financial instrument. A Level 1 financial asset is measured at an amount equal to the portion of the lifetime ECL that would be incurred in the event of default within the next 12 months or until contractual maturity, whichever is shorter ("the 12-month ECL"). If the Group identifies a significantly increased credit risk ("SICR") at initial recognition, the relevant asset is transferred to Level 2 and its ECL is determined using the lifetime ECL, i.e., until the expiry of the contract but considering expected prepayments, if any ("the lifetime ECL"). If the Group determines that a financial asset is impaired, the asset is transferred to Level 3 and measured using a lifetime ECL.

Financial assets measured at amortised cost are presented in the balance sheet net of provisions for ECL.

The carrying amount of the financial assets is reduced using a provision account and the amount of the loss is recognised in the consolidated statement of comprehensive income under Net impairment losses of financial assets.

Offsetting

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

Financial liabilities

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

Derivative financial instruments

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

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

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

Share capital and share premium

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

Employee benefits

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

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

Government grants

Government grants are recognized where there is a reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as deduction of expenses on a systematic basis over the periods that the related costs, which it is intended to compensate, are expensed. When the grant relates to an asset it is recognized as income in equal amounts over the expected useful life of the related asset.

30. Impact of COVID-19

During the preparation of Financial statements, the Group has considered the outbreak of the COVID-19 pandemic and its current and future potential effects on the Group. The impact of the outbreak has been reflected in the measurement of assets and liabilities in these consolidated financial statements.

31. Events After the Balance Sheet Date

In February 2021 Amber Distribution Latvia SIA obtained a short term loan facility from BlueOrange Bank AS in the amount of EUR 5 million for net working capital financing purposes. This loan is repayable till July 2021.

In March 2021, ABG Real Estate SIA signed a EUR 15.5 million agreement with Jungheinrich - the world's leading manufacturer of warehousing equipment, on acquisition of equipment needed for the upcoming ABG high-bay warehouse.

Subsequently to the year end the Group extended the overdraft facility of EUR 22.7 million with Luminor Bank AS Latvian branch until 31 January 2022.

With the purpose to strengthen the Group's position, worldwide recognition, and ABG's corporate identity, in April 2021 the rebranding of the Group's distribution companies in Lithuania, Australia, Austria, the UK and Germany was started. As a result distribution companies Bennet Distributors UAB, Think Spirits Pty Ltd., Mountain Spirits Osterreich GmbH, Cellar Trends Ltd, Mountain Spirits Deutschland GmbH were renamed to Amber Distribution Lithuania UAB, Amber Beverage Australia Ltd, Amber Beverage Austria GmbH, Amber Beverage UK Ltd and Amber Beverage Germany GmbH respectively.

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

Statement of Managers' Responsibilities

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

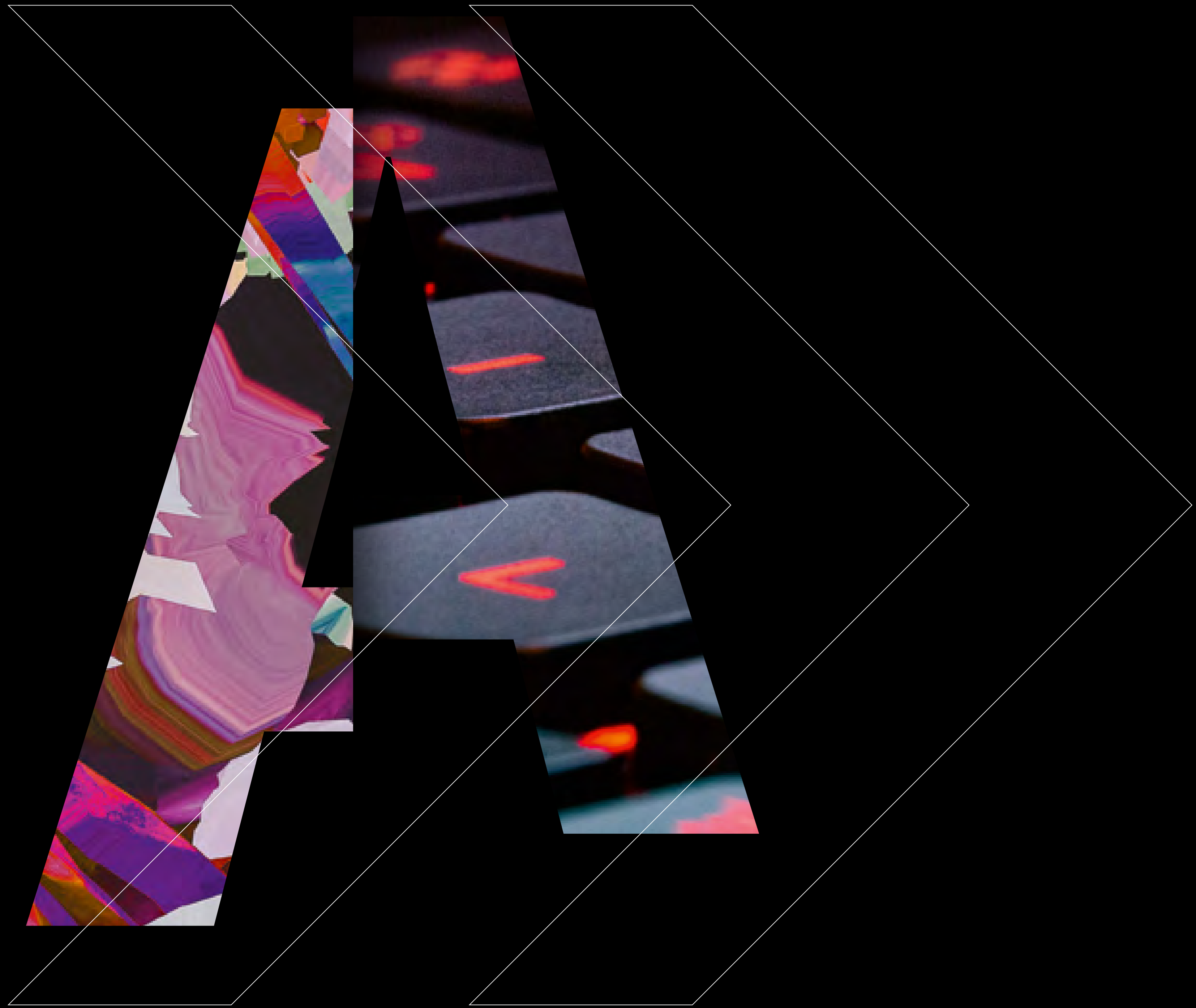
In preparing the consolidated financial statements, the managers should:

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

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

Approved by the Board of Managers and signed on its behalf on 30 April 2021 by:

Jekaterina Stuge
Chairman of the Board of Managers



Independent Auditor’s Report

pwc

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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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for 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 consolidated 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 consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

PricewaterhouseCoopers, Société coopérative
Represented by

Andrei Chizhov
Luxembourg, 30 April 2021

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