Amber Beverage Group 2024 results

Executive summary

Amber Beverage Group has published its unaudited consolidated condensed financial statements for 2024. As a result of confiscation of Amber Talvis by the Russian government (see note 18 of Unaudited Financial statements for 2024) financial statements profit and loss statement and supporting notes for current and comparative period are presented with Russian entities disclosed as Discontinued operations. Assets and Equity and Liabilities statements for comparative period ending 31.12.2023 include Amber Talvis balances. Open balances between the Group and Amber Talvis as of 31.12.2024 are written-off through profit and loss.

The net revenue from continuing operations for the reporting period were generated in amount of EUR 237m indicating a decrease by 21% comparing to respective period in 2023 due to:

- Slower than expected recovery from macroeconomic slowdown in 2023 still affecting consumer spending habits
- The excise tax increase in core Group markets implied by national governments from 1 Jan 2024 resulting in lower demand
- Consumer preference shift towards premiumization in main spirit segments (tequila and core vodka category)
- Price-value and investments alignment that temporarily decreased sales of Groups core brands in global markets
- Changes in marketing investments approach based on brand-market unit prioritization

The lagging sales performance has impacted the operating profit and net result for the period. Operating profit in 2024 was EUR 3.7m vs EUR 12 853m in 2023, at the same time Group was able to increase gross margin from 26% (2023) to 31% (2024) due to optimisation of COGS and price increase.

To mitigate the negative effects of the above factors the Group has implemented several activities:

- Value/ price adjustments imposed starting from March 2024 improving the profitability for ABG Core brands portfolio
- Continuous cost optimization programs have been run throughout the Group entities impacting the both the direct production costs as well as overheads
- Reorganization and centralization of Baltic business management which will yield cost efficiencies and boost synergy between distribution and production units

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Positive Outlook for 2025

The Management of the Group views 2025 with optimism and is committed, alongside the ABG team, to driving further improvements. The year is planned as a transition period, focusing on internal process optimization to lay the foundation for accelerated growth in the coming years.

For the year 2025 the Group expects increase in revenue in the range of 5-8% reflecting in EBITDA increase from 40-50%.

Achieving the target EBITDA will depend on a series of planned efficiency measures aimed at improving operational performance.

Strategic Initiatives & Focus Areas

1. Operational & Market Expansion Goals

- Improving Baltic Cluster efficiency and enhancing profitability in the UK, Australia, and Austria.
- Rolling Forecast Approach to set and adjust additional targets for:
  - Increasing tequila sales
  - Achieving breakeven in the UK and Australia
  - Monitoring and improving return on marketing investment

2. Core Brands & Revenue Management

- New Management Structure for Core Brands to strengthen market positioning.
- Revenue Management Improvements:
  - Enhancing pricing strategy and refining promotional campaign analysis.
  - Implementing a model to track return on investment (ROI) for Core Brands.
  - Evaluating the effectiveness of promotional discounts, advertising, and marketing activities.
- Brand Expansion Strategy: Expanding Core Brands' presence in global markets.

3. Cost Optimization & Financial Efficiency

- Continuation of Cost Efficiency Programs at manufacturing facilities to maintain operational effectiveness.
- Selling Non-Core Business Units to generate additional cash flow for operational support and loan repayments/extensions.

4. Preparing for IPO

- Exploring opportunities to attract additional funding through an initial public offering (IPO), ensuring a stronger financial base for future growth.

The Group is set to implement a structured approach to increase efficiency, optimize costs, and expand market presence. By executing these initiatives, we aim to strengthen financial performance and position the business for sustainable growth beyond 2025.

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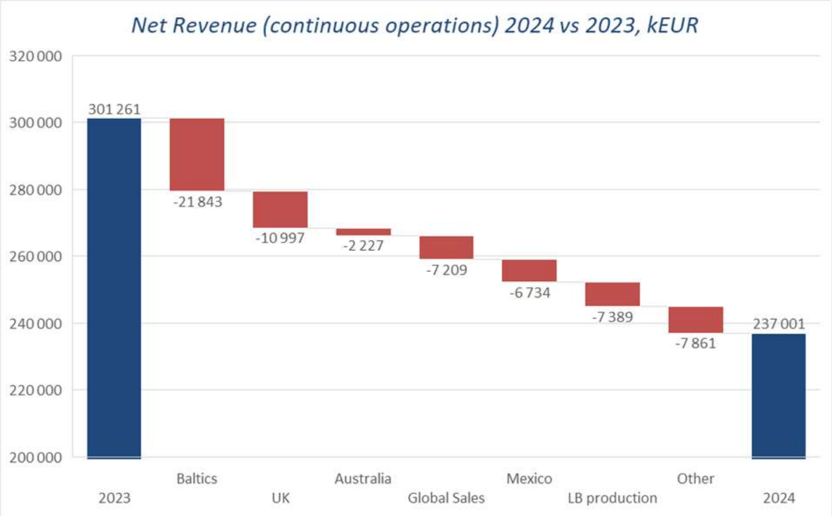
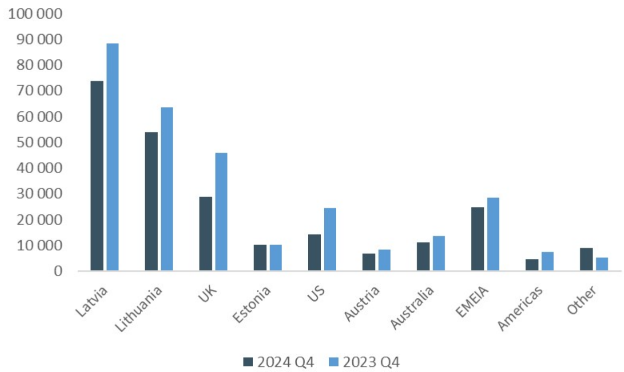
Consolidated financial statements 2024

	Notes*	01.01.2024-31.12.2024 EUR 000	01/01/2023-31/12/2023 EUR 000
Continuing operations			
Revenue	3	377 848	469 812
Excise and duties		(140 847)	(168 551)
Net revenue		**237 001**	**301 261**
Cost of goods sold	6	(164 203)	(222 288)
Gross profit		**72 798**	**78 973**
Selling expenses	7	(47 725)	(47 023)
General and administration expenses	8	(21 689)	(21 452)
Net impairment gain/ (losses) of financial assets		(380)	(278)
Fair value adjustment on biological assets		(2 546)	(9 906)
Other operational income		5 992	13 831
Other operational expense		(2 652)	(682)
Merger and acquisition related costs		(111)	(610)
Operating profit/ (loss)	4	**3 687**	**12 853**
Net finance income/ (expense)	9	(8 161)	(2 905)
Profit/ (loss) before tax from continuing operations		**(4 474)**	**9 948**
Corporate income tax	10	(2 178)	(3 596)
Profit/ (loss) for the period from continuing operations		**(6 652)**	**6 352**

**notes are disclosed in Unaudited condensed consolidated financial statements for 2024*





In 2024, the Group achieved net revenue of EUR 237m, 21% less than the comparative period. Key factors impacting performance:

- Market slowdown in Baltics, US & UK
- Lower production due to phased Stoli orders
- Tequila excessive stock due to overoptimistic growth projections
- Temporary impact from core brand pricing & marketing transformation
- Geopolitical & macroeconomic instability affecting costs

Consolidated financial statements 2024

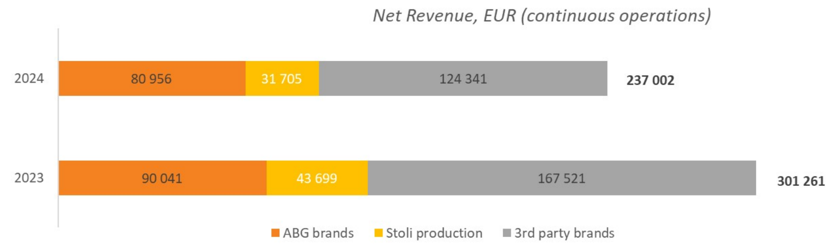
ASSETS

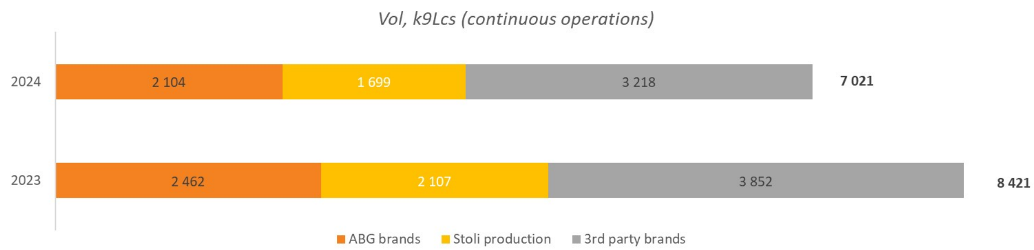
Non-current assets	Notes	31.12.2024 EUR 000	31.12.2023 EUR 000
Intangible assets		85 997	87 615
Property, plant and equipment		72 358	61 425
Rights-to-use assets		8 526	9 688
Biological assets		584	6 016
Non-current portion of loans to related parties		29 560	29 681
Other non-current financial assets		2 334	3 400
Non-current financial investments		2 315	2 214
Deferred tax asset		221	223
TOTAL NON-CURRENT ASSETS		**201 895**	**200 262**
Current assets			
Inventories	11	60 147	85 648
Trade and other receivables	12	118 703	147 075
Loans to related parties		8 385	6 020
Corporate income tax		1 484	1 578
Short term bank deposits		-	12 000
Cash and cash equivalents	13	8 737	16 065
TOTAL CURRENT ASSETS		**197 456**	**268 386**
TOTAL ASSETS		**399 351**	**468 648**

EQUITY AND LIABILITIES

Capital and Reserves	Notes	31.12.2024 EUR 000	31.12.2023 EUR 000
Share capital		13	13
Share premium		132 553	132 553
FX revaluation reserve		697	(2 683)
Other reserves		1	1
Asset revaluation reserve		523	523
Pooling reserve		(306)	(21 268)
Revaluation reserve of derivatives		-	8
Retained earnings		22 742	60 573
Total equity attributable to the owners of the parent		**156 223**	**169 720**
Non-controling interest		14 195	15 114
TOTAL EQUITY		**170 418**	**184 834**
Liabilities			
Non-current liabilities			
Borrowings	16	6 929	10 245
Trade and other payables	14	8	1 357
Deferred tax liability		5 000	5 116
Derivatives		-	(8)
TOTAL NON-CURRENT LIABILITIES		**11 937**	**16 710**
Current liabilities			
Borrowings and bank overdrafts	16	96 573	113 951
Trade and other payables	14	77 382	97 018
Taxes payable	15	43 039	54 898
Corporate income tax liabilities	15	2	1 237
TOTAL CURRENT LIABILITIES		**216 996**	**267 104**
TOTAL LIABILITIES		**228 933**	**283 814**
TOTAL EQUITY AND LIABILITIES		**399 351**	**468 648**

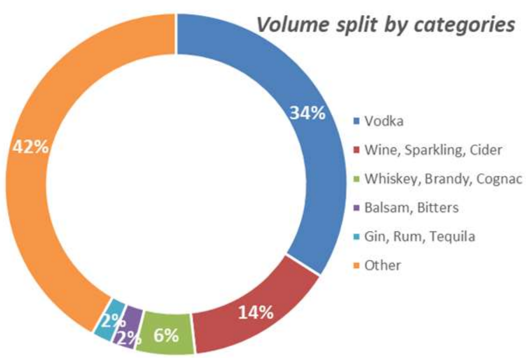
Performance

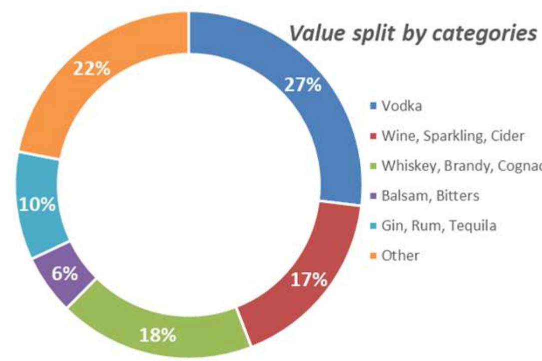




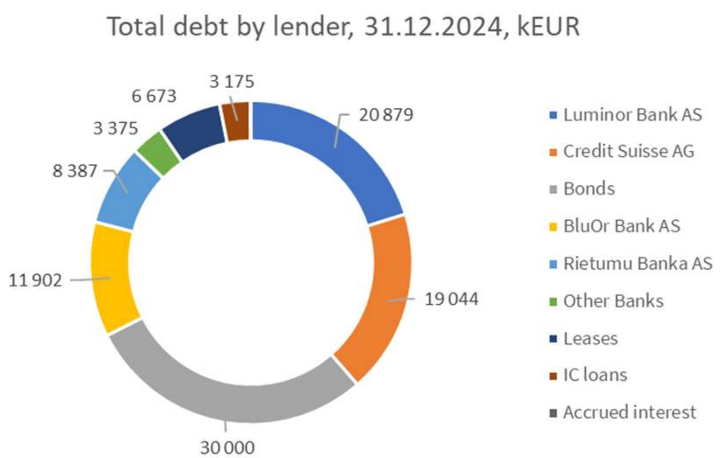
In 2024, total volume decreased by 15% compared to 2023, with a corresponding revenue decline of 21%:

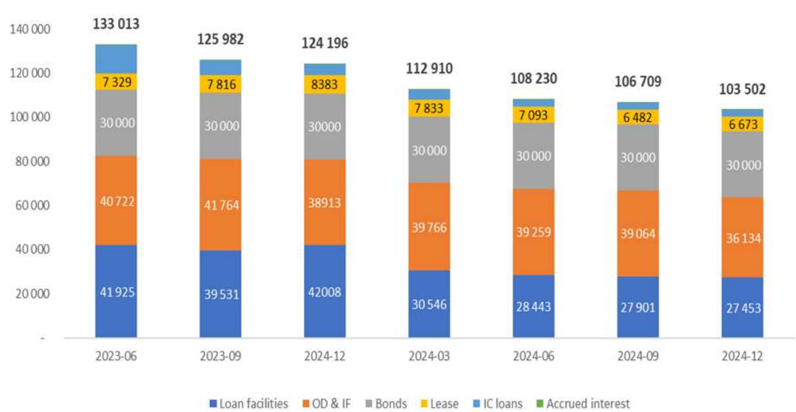
- ABG Brands: Volume declined by 15%, with a 26% drop in revenue, primarily due to a price increase in the core brand portfolio implemented in March 2024
- Stoli Production: Volume fell by 21%, with a 27% decrease in revenue, reflecting strategic changes in Stoli's market approach for vodka
- Third-Party Brands: Volume declined by 13%, with a 26% drop in revenue, as some brand owners exited the market





Debt analysis 31.12.2024





Since the beginning of the year, the Company has prioritized reducing its debt, lowering the total from EUR 124.2m in 2023 to EUR 103.5m in 2024, which has also decreased interest expenses. Key developments include:

- Full repayment of EUR 2.7m in loans to Luminor during the first half of the year
- Extension of the Luminor overdraft in amount EUR 22.2m until December 31, 2025
- Gradual reduction of the overdraft with BluOr Bank, transitioning to factoring. By the end of December, the utilized overdraft was EUR 3m, down EUR 11.8m from the start of the year, while the utilized factoring amounted to EUR 8.9m. The overdraft limit has been extended to May 15, 2025
- A EUR 5.9m reduction in the Credit Suisse AG (UBS) facility, leaving a remaining balance of EUR 19m, extended until June 30, 2025

Following IAS 1 paragraph 69 and consistent with prior year treatment, the Rietumu banka loan (EUR 8387k) and bonds (EUR 30000k) are classified as current liabilities, despite their maturity exceeding 12 months.

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Other

Working capital development:

- Due to the seasonal nature of the business, with sales peaking in the final months of the year, Q4 saw higher receivables/payables and reduced inventories as stocks were sold
- Working capital was also influenced by inventory and trade receivables management, as well as adjustments to the brand portfolio

FTE development:

- The total number of employees decreased by 349 over the year, with more than 200 resulting from the Amber Talvis seizure