

**LATVIJAS  BALZAMS**

**AS LATVIJAS BALZAMS  
DEPENDENCY STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**AS Latvijas balzams**  
**DEPENDENCY STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019**

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**Information on the Dependent Company**


Name of the Dependent Company	Latvijas balzams
Legal status of the Dependent Company	Joint stock company
Number, place and date of registration	Enterprise Register No 40003031873 Riga, 2 October 1991 Re-registered on 20 October 1998  Commercial Register Riga, 19 June 2014
Address	A. Čaka Street 160 Riga, LV- 1012 Latvia
Financial year	1 January – 31 December 2019
Name and address of the auditor	PricewaterhouseCoopers SIA Licence No 5 Kr. Valdemāra Street 21-21 Riga, LV-1010 Latvia  Responsible certified auditor: Jana Smirnova Certified Auditor Certificate No 188

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**Statement by the Board**

The Board of AS Latvijas balzams (also – the Company) hereby certifies that the Dependency Statement reflects all the transactions and other activities in which the Company engaged or from which it refrained, being a dependent company for the purposes of the Group of Companies Law, and that the said Statement provides a general idea of the relationship between AS Latvijas balzams and the controlling entity and companies grouped with the controlling entity.

In keeping with the circumstances of which the Board was aware at the time of entering into the transactions reflected in the Dependency Statement, the Company has received appropriate counter-performance for each transaction.



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Intars Geidāns  
Chairman of the Board  
AS Latvijas balzams

30 April 2020

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**Companies engaged in transactions or activities with the Company being under a decisive influence of the controlling entity**

As a dependent company, AS Latvijas balzams entered into transactions with the following companies:

<b>Company</b>	<b>Period of control</b>	<b>Relationship with the Dependent Company</b>
SPI Group S.a r.l.	1 January - 31 December 2019	Controlling entity with indirect decisive influence through its dependent company Amber Beverage Group Holding S.a r.l.
Amber Beverage Group Holding S.a r.l.	1 January - 31 December 2019	A company grouped with the controlling entity
Amber Beverage Group SIA	1 January - 31 December 2019	A company grouped with the controlling entity
Amber Distribution Estonia OU	1 January - 31 December 2019	A company grouped with the controlling entity
Amber Distribution Latvia SIA	1 January - 31 December 2019	A company grouped with the controlling entity
Bennet Distributors UAB	1 January - 31 December 2019	A company grouped with the controlling entity
Bravo SIA	1 January - 31 December 2019	A company grouped with the controlling entity
Amberbev International Ltd.	1 January - 31 December 2019	A company grouped with the controlling entity
Meierovica 35 SIA	1 January - 31 December 2019	A company grouped with the controlling entity
Permalko AO	1 January - 31 December 2019	A company grouped with the controlling entity
Propiedad de Arinzano SLU	1 January - 31 December 2019	A company grouped with the controlling entity
S.P.I. Spirits (Cyprus) Ltd.	1 January - 31 December 2019	A company grouped with the controlling entity
Stoli Group (USA) LLC	1 January - 31 December 2019	A company grouped with the controlling entity
Tambovskoje spirtovoe predpriятие Talvis AO	1 January - 31 December 2019	A company grouped with the controlling entity
Towers Construction Management AS	1 January - 31 December 2019	A company grouped with the controlling entity
Fabrica de Tequilas Finos S.A. de C.V.	1 January - 31 December 2019	A company grouped with the controlling entity
Cellar Trends Ltd	1 January - 31 December 2019	A company grouped with the controlling entity
Interbaltija AG AS	1 January - 31 December 2019	A company grouped with the controlling entity
Achaval Ferrer S.A.	1 January - 31 December 2019	A company grouped with the controlling entity
ZHS IP Worldwide S.à r.l.	1 January - 31 December 2019	A company grouped with the controlling entity
Remedia AS	1 January - 31 December 2019	A company grouped with the controlling entity
Think Spirits Pty Ltd.	1 January - 31 December 2019	A company grouped with the controlling entity

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**Transactions and activities performed by AS Latvijas balzams in dependency circumstances in the year 2019, which affect the profit and loss account for the reporting year**

	Note	Performance EUR	Counter- performance EUR	Net result EUR
<b>The Company's transactions with the controlling entity</b>				
Sale of goods		188	(188)	-
Services provided		1 135	(1 135)	-
<b>The Company's transactions with other group companies</b>				
Sale of goods	1	69 788 215	(69 788 215)	-
Services provided	2	3 245 888	(3 245 888)	-
Interest income	3	2 334 128	(2 334 128)	-
Purchase of goods	4	(9 288 172)	9 288 172	-
Services received	5	(2 513 272)	2 513 272	-
Interest expenses	6	(55 015)	55 015	-
<b>Total</b>			<u>                    </u>	<u>                    </u> -

During the reporting year, the Company has not suffered any loss as a result of engaging in transactions or other activities with the controlling entity, other group companies or other companies in the interests of, or being encouraged by, the controlling entity or another company within the group, or as a result of refraining from such transactions or activities.

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**Accounting policies**

**(1) General principles**

The Dependency Statement has been prepared in compliance with the Latvian Group of Companies Law. The terms 'controlling entity' and 'dependent company' and other terms used in this Statement have the same meaning as defined in the said legislation.

**(2) Materiality**

The Company has followed the principle of materiality in reflecting and valuing transactions and other activities in the Dependency Statement.

Transactions (activities), their circumstances and valuations, the non-inclusion of which in the Dependency Statement would affect the opinion of a competent user on the relationship of the Dependent Company with the controlling entity throughout the financial year, are considered material.

**(3) Recording of transactions and activities**

The Dependency Statement reflects transactions and other activities that are unprofitable for the Company to the extent of their actual performance and counter-performance.

The Dependency Statement reflects all transactions (performance and counter-performance) attributable to the reporting period, which affect the profit and loss account for the reporting year, irrespective of the dates that invoices are issued or received or payments are made. Transactions performed in prior years, which affect the profit and loss account of the reporting year, are reflected only if the performance was different from the counter-performance of these transactions at the date of the relevant transaction.

Transactions that do not affect the profit and loss account for the reporting year but are material or may affect profit and loss accounts for the next periods are described in the notes.

If the controlling entity has notified the Dependent Company in writing by the end of the financial year as to when and how all the losses resulting from an unprofitable transaction or activity will be compensated, the amount of compensation is reflected in the line 'Granted entitlement to compensation'.

**(4) Performance and counter-performance**

The Dependent Company's obligations pertaining to a transaction are considered the performance of the transaction. Counter-performance is the obligations of the party to the transaction other than the Dependent Company. Performance (counter-performance) can take the form of a payment, supply of goods or services, including actions carried out as operational activities, transfers of intangible assets and title, commitments to refrain from an action or permit an action, lease of properties, etc.

Performance and counter-performance are reflected at their fair value. Fair value is the amount for which the subject-matter of a transaction can be exchanged between knowledgeable willing parties on an arm's length basis.

**(5) Determining fair value of transactions and activities**

The Company's transactions and activities are valued:

- (1) based on their comparison with other transactions or activities of the kind carried out by the Company with non-related parties during the current or previous reporting year;
- (2) where the above has been impossible, based on their comparison with other transactions or activities of the kind carried out by companies of the industry in the current or previous reporting year;

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- (3) where the above has been impossible, based on their comparison with other information on the possible valuation of transactions or activities.

**(6) Fully or partly unprofitable transactions or activities**

The following transactions or activities are considered fully or partly unprofitable:

- (1) where a loss is anticipated on commencement,
- (2) which result in a gross loss, or
- (3) in which the Company, if it were independent, would never engage due to the anticipated financial result.

**(7) Special risk**

Transactions or activities related to special risk are those which materially differ in terms of risk from those typical of the Company's or industry's business and in which the Company would never engage if it were independent.

**(8) Transactions and activities materially different from core business**

Transactions and activities materially different from the Company's core business are those which drastically differ from the transactions and activities typical of the Company's core business and in which the Company would never engage if it were independent.



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**Notes regarding transactions and activities performed by AS Latvijas balzams in dependency circumstances in the year 2019, which affect the profit and loss account for the reporting year**

**The Company's transactions with other group companies**

1. Sale of goods (EUR):

S.P.I. Spirits (Cyprus) Ltd.	38 009 802
Amber Distribution Latvia SIA*	22 691 197
Amberbev International Ltd.	4 819 253
Bennet Distributors UAB	3 487 013
Amber Distribution Estonia OU	701 486
Remedia AS	55 095
Bravo SIA *	20 974
Cellar Trends Ltd	3 395

\* The value of the transactions is exclusive of excise duty

2. Services provided (EUR):

Amber Distribution Latvia SIA	1 556 437
S.P.I. Spirits (Cyprus) Ltd.	1 323 442
Towers Construction Management AS	154 022
Amber Beverage Group SIA	77 890
Bravo SIA	61 769
Interbaltija AG AS	30 228
Stoli Group (USA) LLC	13 110
Bennet Distributors UAB	8 170
Amberbev International Ltd.	7 931
ZHS IP Worldwide S.à r.l.	5 007
Amber Distribution Estonia OU	2 151
Remedia AS	2 090
Achaval Ferrer S.A.	1 816
Meierovica 35 SIA	1 165
Cellar Trends Ltd	660

3. Interest income (EUR):

Amber Beverage Group Holding S.a r.l.	1 277 758
S.P.I. Spirits (Cyprus) Ltd.	742 023
Amber Distribution Latvia SIA	298 013
Amber Beverage Group SIA	16 334

In the reporting year, interest was charged for a non-current receivable due from SIA Amber Distribution Latvia, under a loan agreement signed with Amber Beverage Group Holding S.a r.l. and for guarantees issued to credit institutions to secure the liabilities of SIA Amber Beverage Group, Amber Beverage Group Holding S.a r.l. and S.P.I. Spirits (Cyprus) Ltd.

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**Notes regarding transactions and activities performed by AS Latvijas balzams in dependency circumstances in the year 2019, which affect the profit and loss account for the reporting year (continued)**

**The Company's transactions with other group companies (continued)**

4. Purchase of goods (EUR):

Tambovskoe spirtovoe predpriyatie Talvis OAO	6 451 113
S.P.I. Spirits (Cyprus) Ltd.	1 645 725
Fabrica de Tequilas Finos S.A. de C.V.	621 303
Achaval Ferrer S.A.	205 942
Amber Distribution Latvia SIA	202 914
Remedia AS	78 412
Bennet Distributors UAB	43 320
Propiedad de Arinzano SLU	24 024
Cellar Trends Ltd	8 406
Permalko OAO	6 245
Amber Beverage Group SIA	768

5. Services received (EUR):

Amber Beverage Group SIA	2 159 598
S.P.I. Spirits (Cyprus) Ltd.	118 374
Amber Beverage Group Holding S.a r.l.	103 547
Amber Distribution Latvia SIA	53 420
Cellar Trends Ltd	39 855
Amberbev International Ltd.	21 358
Bennet Distributors UAB	12 596
Think Spirits Pty Ltd.	1 963
Bravo SIA	1 873
Interbaltija AG AS	688

6. Interest expenses (EUR):

Amber Beverage Group SIA	55 015
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In the reporting year, interest was charged for guarantees to credit institutions granted by SIA Amber Beverage Group.

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**Notes regarding transactions and activities performed by AS Latvijas balzams in dependency circumstances in the year 2019, which do not affect the profit and loss account for the reporting year**

**1. Guarantees issued**

The Company together with other group companies have provided security for liabilities of the parent company Amber Beverage Group Holding S.à r.l. towards AS Luminor Bank Latvian branch under an overdraft agreement of 19 December 2018, with the maximum overdraft limit amounting to EUR 22.7 million. A pledge on the Company's movable properties, a mortgage on most of the Company's real estate and a guarantee have been registered as security. The security will be valid till the complete settlement of the liabilities under the agreement by 30 June 2020.

On 2 March 2015, SIA Amber Beverage Group concluded a cash pool (credit line) agreement with AS Swedbank. Apart from security provided by other group companies, the credit line is secured by a commercial pledge on the Company's movable properties, a mortgage on most of the Company's real estate and a guarantee. On 9 December 2019, as a result of the refinancing of all of the Group's liabilities towards AS Swedbank, the agreement on the credit line of EUR 9 million was terminated and the pledges provided by AS Latvijas balzams and the mortgage on most of the Company's real estate were fully released.

The Company has issued a guarantee to AS Luminor Bank Latvian branch for securing liabilities of its related company S.P.I. Spirits (Cyprus) Ltd., which arose out of the overdraft agreement signed in July 2007 and extension amendments thereto, with the maturity date of the overdraft covered by the guarantee set on 31 December 2020. In January 2019, the initial amount of the agreement was converted from the US dollar to the euro and now is fixed as EUR 13.27 million. The guarantee will be valid till the complete settlement of the liabilities.

The Company together with other group companies have provided security for liabilities of the parent company Amber Beverage Group Holding S.à r.l. towards AS Luminor Bank Latvian branch regarding the financing of the purchase of Fabrica de Tequilas Finos S.A. de C.V., which is a tequila manufacturing company in Mexico, which arise out of a novation agreement signed on 19 December 2018. The security comprises a commercial pledge on the Company's movable properties, a mortgage on most of the Company's real estate and a guarantee. The maximum secured limit is EUR 9.2 million. The security will be valid till the complete settlement of the liabilities under the agreement by 31 December 2023.

On 27 April 2018, the Company's parent company Amber Beverage Group Holding S.à r.l. signed a loan agreement with AS Luminor Bank Latvian branch to finance the purchase of Think Spirits Pty Ltd, which is an Australian spirits wholesaler. The loan amounts to EUR 3.6 million and matures on 30 April 2023. The Company together with other group companies have provided security for liabilities arising out of this agreement, which comprises a commercial pledge on the Company's movable properties, a mortgage on most of the Company's real estate and a guarantee.

As a result of the refinancing of the Group's liabilities towards AS Swedbank, on 3 December 2019 the Company's parent company Amber Beverage Group Holding S.à r.l. signed with Credit Suisse AG an agreement on a loan of EUR 27 million. Security for the liabilities under the loan agreement was provided by several group companies, including the Company, which granted a commercial pledge on movable properties and a mortgage on most of its real estate. The security will be valid till the complete settlement of the liabilities under the agreement by 3 December 2021.

Interest rates for the issued guarantees vary from 0.34% to 6.3% depending on the number of guarantors securing respective loans. If loans are guaranteed by multiple parties, the interest rate is calculated on a proportionate basis, depending on the value of assets of the guarantors.

Taking into account the financial position of the group companies, it is not expected that the Company will be required to execute the guarantees; accordingly, no provisions have been recognized for these contingent liabilities in the financial statements.



## Review report on special purpose financial information

To the Board of Latvijas balzams AS

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### Introduction

We have reviewed the accompanying dependency statement on pages 5 to 11 of Latvijas balzams AS for 2019. This special purpose dependency statement is prepared solely to comply with the requirements of the Groups Act of the Republic of Latvia and is the responsibility of the Company's Board. Our responsibility is to express a conclusion on this dependency statement based on our review.

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### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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### Conclusion

Based on our review of Latvijas balzams AS dependency statement for 2019, no circumstances or facts have come to our attention, that would cause us to believe that in all material aspects:

- factual information included in the dependency statement is not fairly presented;
- the performance value of transactions conducted by the Company and included in the dependency statement is disproportionately high; and
- the measures reported in the dependency statement should be assessed differently, based on methods stated in the dependency statement, than the Company Board's evaluation.

PricewaterhouseCoopers SIA  
Certified audit company  
Licence No. 5

A blue ink signature of Jana Smirnova, consisting of a large, stylized loop.

Jana Smirnova  
Certified auditor in charge  
Certificate No. 188  
Member of the Board

Riga, Latvia  
30 April 2020

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PricewaterhouseCoopers SIA  
Kr. Valdemāra iela 21-21, Rīga, LV-1010, Latvia, LV40003142793  
T: +371 6709 4400, F:+371 6783 0055, www.pwc.lv

Translation note: This version of our report is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.