

AS LATVIJAS BALZAMS
DEPENDENCY STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

AS Latvijas balzams
DEPENDENCY STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

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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 2018
Name and address of the auditor	Auditor in charge: 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 of Directors

The Board of Directors of AS Latvijas balzams 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.

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



Intars Geidāns
Chairman of the Board

26 April 2019

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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:

Company	Period of control	Relationship with the Dependent Company
Amber Beverage Group Holding S.a r.l.	1 January - 31 December 2018	A company grouped with the controlling entity
Amber Beverage Group SIA	1 January - 31 December 2018	A company grouped with the controlling entity
Amber Distribution Estonia OU	1 January - 31 December 2018	A company grouped with the controlling entity
Amber Distribution Latvia SIA	1 January - 31 December 2018	A company grouped with the controlling entity
Bennet Distributors UAB	1 January - 31 December 2018	A company grouped with the controlling entity
Bravo SIA	1 January - 31 December 2018	A company grouped with the controlling entity
DDE Holding Ltd.	1 January - 31 December 2018	A company grouped with the controlling entity
Meierovica 35 SIA	1 January - 31 December 2018	A company grouped with the controlling entity
Permalko AO	1 January - 31 December 2018	A company grouped with the controlling entity
Propiedad de Arinzano SLU	1 January - 31 December 2018	A company grouped with the controlling entity
S.P.I. Spirits (Cyprus) Ltd.	1 January - 31 December 2018	A company grouped with the controlling entity
SPI Group S.a.r.l.	1 January - 31 December 2018	A controlling entity with an indirect decisive influence through its dependent company Amber Beverage Group Holding S.a r.l.
Stoli Group (USA) LLC	1 January - 31 December 2018	A company grouped with the controlling entity
Tambovskoje spirtovoe predpriятие Talvis AO	1 January - 31 December 2018	A company grouped with the controlling entity
Towers Construction Management AS	1 January - 31 December 2018	A company grouped with the controlling entity
Fabrica de Tequilas Finos S.A. de C.V.	1 January - 31 December 2018	A company grouped with the controlling entity
Cellar Trends Ltd	1 January - 31 December 2018	A company grouped with the controlling entity
Interbaltija AG AS	1 January - 31 December 2018	A company grouped with the controlling entity
Achaval Ferrer S.A.	1 January - 31 December 2018	A company grouped with the controlling entity
Louisiana Spirits LLC	1 January - 31 December 2018	A company grouped with the controlling entity
ZHS IP Americas S.à r.l.	1 January - 31 December 2018	A company grouped with the controlling entity
ZHS IP Worldwide S.à r.l.	1 January - 31 December 2018	A company grouped with the controlling entity
Kentucky Owl LLC (USA)	1 January - 31 December 2018	A company grouped with the controlling entity
Remedia AS	20 February - 31 December 2018	A company grouped with the controlling entity
Think Spirits Pty Ltd.	15 May - 31 December 2018	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 2018, which affect the profit and loss account for the reporting year

	Note	Performance EUR	Counter- performance EUR	Net result EUR
The Company's transactions with the controlling entity				
Services provided	2	3 253	(3 253)	-
The Company's transactions with other group companies				
Sale of goods	1	65 221 993	(65 221 993)	-
Services provided	2	5 170 411	(5 170 411)	-
Interest income	3	2 090 496	(2 090 496)	-
Purchase of goods	4	(8 529 081)	8 529 081	-
Services received	5	(2 542 566)	2 542 566	-
Interest expenses	6	(116 484)	116 484	-
Total			<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;
- (3) where the above has been impossible, based on their comparison with other information on the possible valuation of transactions or activities.

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Accounting policies (continued)

(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 2018, 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.	36 977 327
Amber Distribution Latvia SIA*	20 599 050
Bennet Distributors UAB	3 494 269
DDE Holding Ltd.	3 316 229
Amber Distribution Estonia OU	680 670
Cellar Trends Ltd	101 732
Remedia AS	19 372
Bravo SIA *	15 942
Think Spirits Pty Ltd.	10 845
Fabrica de Tequilas Finos S.A. de C.V.	5 896
Louisiana Spirits LLC	661

* The value of the transactions is exclusive of excise duty

2. Services provided (EUR):

S.P.I. Spirits (Cyprus) Ltd.	3 158 311
Amber Distribution Latvia SIA	1 557 846
Towers Construction Management AS	156 019
Stoli Group (USA) LLC	92 300
Amber Beverage Group SIA	82 392
Bravo SIA	51 546
DDE Holding Ltd.	20 144
Interbaltija AG AS	15 744
Remedia AS	11 568
Bennet Distributors UAB	10 210
Amber Distribution Estonia OU	6 256
SPI Group S.a.r.l.	3 253
Fabrica de Tequilas Finos S.A. de C.V.	2 266
Kentucky Owl LLC (USA)	1 697
ZHS IP Americas S.à r.l.	1 500
ZHS IP Worldwide S.à r.l.	1 213
Meierovica 35 SIA	1 165
Louisiana Spirits LLC	234

3. Interest income (EUR):

Amber Beverage Group Holding S.a r.l.	1 188 865
S.P.I. Spirits (Cyprus) Ltd.	396 248
Amber Distribution Latvia SIA	305 627
Amber Beverage Group SIA	199 756

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 2018, 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):

Tambovskoje spirtovoe predpriятие	
Talvis AO	6 855 532
Fabrica de Tequilas Finos S.A. de C.V.	644 104
S.P.I. Spirits (Cyprus) Ltd.	358 428
Achaval Ferrer S.A.	270 097
Amber Distribution Latvia SIA	198 219
Bennet Distributors UAB	74 352
Propiedad de Arinzano SLU	53 045
Permalko AO	28 399
Louisiana Spirits LLC	23 994
Remedia AS	17 621
Interbaltija AG AS	4 990
Bravo SIA	300

5. Services received (EUR):

Amber Beverage Group SIA	2 274 708
S.P.I. Spirits (Cyprus) Ltd.	96 735
DDE Holding Ltd.	79 918
Amber Distribution Latvia SIA	43 960
Cellar Trends Ltd	24 020
Bennet Distributors UAB	16 704
Towers Construction Management AS	3 555
Bravo SIA	2 036
Amber Distribution Estonia OU	930

6. Interest expenses (EUR):

Amber Beverage Group SIA	116 484
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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 2018, which do not affect the profit and loss account for the reporting year

1. Guarantees issued

On 2 March 2015, SIA Amber Beverage Group concluded an overdraft agreement with AS Luminor Bank Latvia branch. Apart from security provided by other group companies, the overdraft is secured by a commercial pledge granted by AS Latvijas balzams on the Company's movable properties, a mortgage on most of the Company's real estate and a guarantee. In 2018, amendments to the overdraft agreement were signed to fix the overdraft limit of EUR 22.7 million and extend the overdraft maturity till 30 June 2018. On 31 July 2018, the overdraft maturity was extended till 30 June 2019.

On 19 December 2018, the above overdraft agreement was novated from SIA Amber Beverage Group to the Company's parent Amber Beverage Group Holding S.à r.l. As a result, the previous pledges of the Company have been cancelled and a new pledge on the Company's movable properties, a mortgage on most of the Company's real estate and a guarantee have been registered. The security is valid till the complete fulfilment of obligations under the agreement by 31 December 2019.

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 granted by AS Latvijas balzams on the Company's movable properties, a mortgage on most of the Company's real estate and a guarantee. The security is valid till the complete fulfilment of obligations under the agreement. The overdraft maturity was extended till 30 June 2017 on 18 April 2017 and till 30 June 2018 on 3 August 2017. On 26 April 2018, the duration of the agreement was extended till 30 June 2019; on 11 June 2018, amendments to the overdraft agreement were signed to increase the overdraft limit from EUR 4 million to EUR 9 million.

The Company has issued a guarantee for the amount of USD 15 million to AS Luminor Bank Latvia branch for securing obligations of the related company S.P.I. Spirits (Cyprus) Limited, which arise out of the overdraft agreement signed in July 2007. On 31 July 2018, the overdraft maturity was extended till 31 December 2018. Subsequent to the year end, the duration of the overdraft agreement covered by the guarantee has been extended till 31 December 2020, the amount of the agreement has been converted to the euro and now is fixed as EUR 13.27 million. The guarantee will be valid till the complete fulfilment of obligations.

On 1 September 2016, SIA Amber Beverage Group signed a loan agreement with AS Luminor Bank Latvia branch to finance the purchase of Fabrica de Tequilas Finos, which is a tequila manufacturing company in Mexico. The loan amounts to EUR 12 million and matures on 30 September 2021. The Company together with other group companies provided security for obligations 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. On 19 December 2018, the loan agreement was novated from SIA Amber Beverage Group to the Company's parent Company Amber Beverage Group Holding S.à r.l. As a result, the previous pledges of the Company have been cancelled and a new pledge on the Company's movable properties, a mortgage on most of the Company's real estate and a guarantee, which secure the claim subject to the maximum limit of EUR 9.2 million, have been registered. The security is valid till the complete fulfilment of obligations under the agreement by 31 December 2023.

On 27 April 2018, the Company's parent Amber Beverage Group Holding S.à r.l. signed a loan agreement with AS Luminor Bank Latvia branch to finance the purchase of Think Spirits Pty, 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 has provided security for obligations 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.

Interest rates for the issued guarantees vary from 6.3% to 0.47%, 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 recognised for these contingent liabilities in the financial statements.

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Notes regarding transactions and activities performed by AS Latvijas balzams in dependency circumstances in the year 2018, which do not affect the profit and loss account for the reporting year (continued)

2. Guarantees and sureties received

The Company has effective loan agreements signed with AS Swedbank and AS Luminor Bank Latvia branch. The Company's liabilities arising out of both of these loan agreements are secured and collateralised by a major shareholder's surety and commercial pledge. The Company is paying a fee for the security provided, which is calculated on the loan balance at the annual interest rate of 1.2%.



Translation from Latvian original*

REVIEW REPORT ON SPECIAL PURPOSE FINANCIAL INFORMATION

To the Board of Latvijas Balzams AS

Introduction

We have reviewed the accompanying dependency statement on pages 5 to 12 of Latvijas Balzams AS for 2018. 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.

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.

Conclusion

Based on our review of Latvijas Balzams AS dependency statement for 2018, 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

Ilandra Lejiņa
Member of the Board

Jana Smirnova
Certified auditor in charge
Certificate No. 188

Rīga, Latvia
29 April 2019

* 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.