

# Linda Nektar

## ANNUAL REPORT

**beginning of financial year:** 01.01.2017

**end of the financial year:** 31.12.2017

**business name:** aktsiaselts Linda Nektar

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## Management report

The sales revenue of AS Linda Nektar for the 12 months of 2017 amounted to EUR 2,463,309, representing a 33.8% decrease compared to the same period in 2016 (12 months 2016: EUR 3,719,405). The net profit for the financial year came to EUR 85,402, representing an 89.7% y-o-y decrease (12 months 2016: EUR 831,662).

The Company has been focusing its efforts on attracting new customers for its products outside of Estonia and notes that due to the nature of specific recipes required and customers' future production planning this takes time. Geographical revenue concentration was reduced in 2017, with Estonia decreasing from 73.5% to 57.6% compared with 2016. The combined volume of products and services did not change dramatically compared to the previous year. However, important changes were made in the product mix in order to adjust to the changed market situation.

The tax increases, highlighted below, created turbulence in the Estonian market. This included inventory build-up by wholesalers, price changes to consumers, increases in border trade etc.

### Alcohol Excises in Estonia

(In Euros)

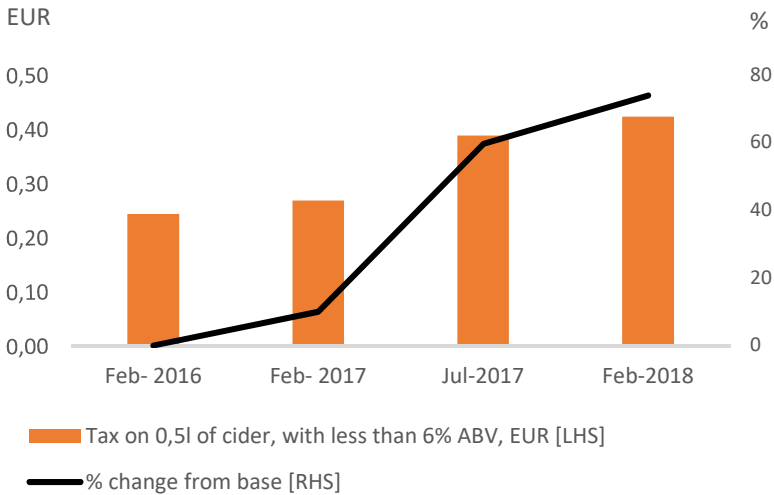
Product	Excise duty rate 01.02.2016	Excise duty rate 01.02.2017	Excise duty rate 01.07.2017	Excise duty rate 01.02.2018	Unit
Beer*	8.30	9.13	15.52	16.92	1% of ethanol content by volume in hectolitre
Fermented beverage or wine with an ethanol content ≤ 6 vol.	48.55	53.41	77.44	84.41	hectolitre
Fermented beverage or wine with an ethanol content >6 vol.	111.98	123.18	123.18	147.82	hectolitre
Intermediate product	239.12	263.03	263.03	289.33	hectolitre
Other alcohol	21.72	23.89	23.89	25.08	1% of ethanol content by volume in hectolitre

\*For small beer producer who produced last year beer up to 6,000 hectolitres, the rate of excise duty for 6,000 hectolitres of beer produced in the current year is 50% of the normal rate (since 01.01.2017).

Source: Estonia Tax and Custom Board webpage [www.emta.ee](http://www.emta.ee)

The second row has the greatest relevance to the Company, so we have prepared a graphical representation of the changes:

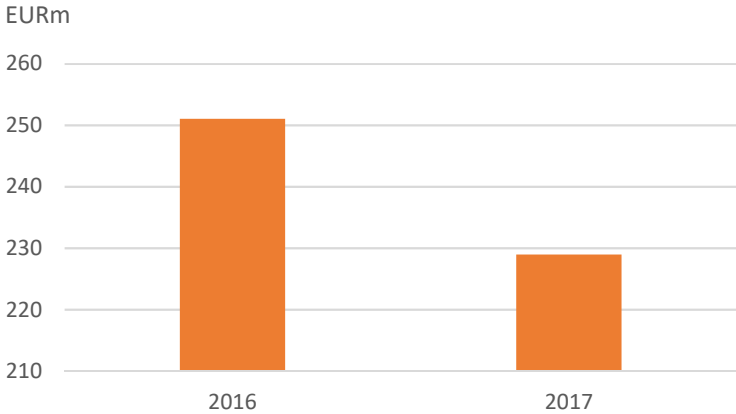
**Changes in Alcohol Excise Taxes in Estonia**



Source: Estonia Tax and Custom Board webpage [www.emta.ee](http://www.emta.ee)

The increases across all products would appear to have had a negative impact on total alcohol-based excise tax revenue for Estonia in 2017 as a whole, with the proceeds falling from EUR 251m in 2016 to EUR 229m in 2017.

**Total income from Alcohol Excise Taxes in Estonia**



Source: Estonia Tax and Custom Board webpage [www.emta.ee](http://www.emta.ee); Statistics Estonia

Statistics show that increased alcohol purchases have been made in border areas adjoining Estonia.

As at 31.12.2017, the total assets of AS Linda Nektar were EUR 4,194,991 (12 months 2016: EUR 4,598,552), having decreased by 8.8% compared to 2016. Current assets made up EUR 1, 269,978 or 30.3% of the total assets (12 months 2016: EUR 1,756,103). The volume of fixed assets amounted to EUR 2,925,013 (12 months 2016: EUR 2,842,449) or 69.7% of the balance sheet total. The total

liabilities of AS Linda Nektar amounted to EUR 100,012 (12 months 2016: EUR: 291,507) and the equity capital of the company decreased to EUR 4,094,979 (12 months 2016: EUR 4,307,045).

The Company does not have any financial debt. Operating cash flows for the 12 months of 2017 came to EUR 539,712 compared with EUR 1,171,204 in 2016. This reflects a larger proportional decline than revenues due to items of a fixed cost nature.

During 2017 the Company invested in property, plant and equipment a total of EUR 518,306 (12 months 2016: EUR 988,772). A part of the investments have been granted by government support from the Estonian Agricultural Registers and Information Board (ARIB), Estonian: PRIA. These sums have no direct income statement impact, however, they have the effect of reducing the ultimate cost of the investments at the end of the project. Depreciation expenses in 12 months of 2017 amounted to EUR 435,459 (12 months 2016: EUR 352,719), which have increased due to the investments.

Development costs in 12 months of 2017 amounted to EUR 23,034 (12 months 2016: EUR 116,062). These R&D costs have been recognised as expenses. The significant drop is mainly due to successfully completed investments in laboratory and analyzing equipment during 2016 and 2017.

During the 12 months of 2017, the enterprise paid dividends for the performance of the 2016 financial year in the amount of EUR 299,271 (12 months 2016: EUR 141,760). The income tax expense entailed in the payment of dividends to the shareholders amounted to EUR 74,818 (12 months 2016: EUR 35,440).

As at 31 December 2017, the enterprise had 13 employees, 1 member of the management board and 4 supervisory board members. The salary expenses for the 12 months of 2017 (including taxes) were EUR 325,851 (12 months 2016: EUR 327,911).

Management believes that due to changes in excise tax rates and ongoing fluctuations in the business environment, the situation in the Estonian market is still somewhat unclear. With this in mind, revenue guidance for the calendar year of 2018 is EUR 2.5m.

**Financial Ratios:**

		2017	2016
Current Ratio = Current Assets/ Current Liabilities	x	12.70	6.02
Quick ratio = (Current Assets – Inventories) / Current Liabilities	x	9.23	4.97
Working Capital = Current Assets - Current Liabilities		1,169,966	1,464,596
Equity Ratio = Total Equity / Total Assets	%	97.62	93.66
Net Profit Margin= Net Profit / Sales Revenue	%	3.47	22.36
Debt to Assets= Total Liabilities / Total Assets	x	0.02	0.06



Kadri Rauba  
CEO

## The annual accounts

### Statement of financial position

(In Euros)

	31.12.2017	31.12.2016	Note
Assets			
Current assets			
Cash and cash equivalents	720 494	1 103 517	2
Receivables and prepayments	202 220	346 529	3
Inventories	347 264	306 057	4
<b>Total current assets</b>	<b>1 269 978</b>	<b>1 756 103</b>	
Non-current assets			
Receivables and prepayments	235	517	3
Property, plant and equipment	2 840 234	2 697 075	6
Intangible assets	84 544	144 857	7
<b>Total non-current assets</b>	<b>2 925 013</b>	<b>2 842 449</b>	
<b>Total assets</b>	<b>4 194 991</b>	<b>4 598 552</b>	
Liabilities and equity			
Liabilities			
Current liabilities			
Payables and prepayments	100 012	291 507	9
<b>Total current liabilities</b>	<b>100 012</b>	<b>291 507</b>	
<b>Total liabilities</b>	<b>100 012</b>	<b>291 507</b>	
Equity			
Issued capital	1 575 109	1 575 109	12
Share premium	617 517	617 517	
Statutory reserve capital	66 402	24 819	
Other reserves	1 804	0	
Retained earnings (loss)	1 748 745	1 257 938	
Annual period profit (loss)	85 402	831 662	
<b>Total equity</b>	<b>4 094 979</b>	<b>4 307 045</b>	
<b>Total liabilities and equity</b>	<b>4 194 991</b>	<b>4 598 552</b>	

## Income statement

(In Euros)

	2017	2016	Note
Revenue	2 463 309	3 719 405	13
Other income	250	155 857	14
Changes in inventories of finished goods and work in progress	40 333	-29 499	
Raw materials and consumables used	-1 362 934	-2 002 135	15
Other operating expense	-219 448	-290 999	16
Employee expense	-325 851	-327 911	17
Depreciation and impairment loss (reversal)	-435 459	-352 719	6,7
Other expense	-61	-5 001	
<b>Operating profit (loss)</b>	<b>160 139</b>	<b>866 998</b>	
Interest income	81	104	
<b>Profit (loss) before tax</b>	<b>160 220</b>	<b>867 102</b>	
Income tax expense	-74 818	-35 440	18
<b>Annual period profit (loss)</b>	<b>85 402</b>	<b>831 662</b>	



## Statement of cash flows

(In Euros)

	2017	2016	Note
Cash flows from operating activities			
Operating profit (loss)	160 139	866 998	
Adjustments			
Depreciation and impairment loss (reversal)	435 459	352 719	6,7
Profit (loss) from sale of non-current assets	-250	0	
Other adjustments	1 804	-155 857	
<b>Total adjustments</b>	<b>437 013</b>	<b>196 862</b>	
Changes in receivables and prepayments related to operating activities	144 591	17 355	
Changes in inventories	-41 207	33 636	
Changes in payables and prepayments related to operating activities	-86 006	10 047	
Income tax refund (paid)	-74 818	-35 440	18
Proceeds from government grants	0	81 746	11
<b>Total cash flows from operating activities</b>	<b>539 712</b>	<b>1 171 204</b>	
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	-623 795	-918 015	6,7
Proceeds from sales of property, plant and equipment and intangible assets	250	0	
Interest received	81	104	
<b>Total cash flows from investing activities</b>	<b>-623 464</b>	<b>-917 911</b>	
Cash flows from financing activities			
Dividends paid	-299 271	-141 760	18
<b>Total cash flows from financing activities</b>	<b>-299 271</b>	<b>-141 760</b>	
<b>Total cash flows</b>	<b>-383 023</b>	<b>111 533</b>	
Cash and cash equivalents at beginning of period	1 103 517	991 984	2
<b>Change in cash and cash equivalents</b>	<b>-383 023</b>	<b>111 533</b>	
Cash and cash equivalents at end of period	720 494	1 103 517	2

## Statement of changes in equity

(In Euros)

						Total
	Issued capital	Share premium	Statutory reserve capital	Other reserves	Retained earnings (loss)	
<b>31.12.2015</b>	1 575 109	617 517	2 812	0	1 421 705	3 617 143
Annual period profit (loss)	0	0	0	0	831 662	831 662
Declared dividends	0	0	0	0	-141 760	-141 760
Changes in reserves	0	0	22 007	0	-22 007	0
<b>31.12.2016</b>	1 575 109	617 517	24 819	0	2 089 600	4 307 045
Annual period profit (loss)	0	0	0	0	85 402	85 402
Declared dividends	0	0	0	0	-299 271	-299 271
Changes in reserves	0	0	41 583	1 804	-41 584	1 803
<b>31.12.2017</b>	1 575 109	617 517	66 402	1 804	1 834 147	4 094 979

The minimum share capital allowed by the Articles of Association of AS Linda Nektar is 1,200,000 euros, and the maximum share capital is 4,800,000 euros. The share has a nominal value of 1 euro. A total of 1,575,109 shares have been issued.

In 2017, the share options programme that was approved by AS Linda Nektar shareholders' decision from 9 April 2015, was cancelled. At the same time, a new share options programme was renewed and approved which covers up to 3% of the total registered share capital as of 7 September 2017. The purpose of the options programme is to balance the interests of the members of management bodies and key employees with the interests of the shareholders, raise the motivation of staff members and improve the financial results of the public limited company.

In 2017, an option agreement was signed with a member of AS Linda Nektar supervisory board. The share option gives the supervisory board member a right to acquire 5,034 ordinary shares of AS Linda Nektar. Upon exercising the option the option holder must pay the share nominal value of 1 euro per share, ie 5,034 euros. The vesting period of the option agreement is three years from the date of signing the contract. To exercise the option the option holder has to have a work relationship or participate in the work of management or highest supervisory body of the company during the whole vesting period.

The fair value of the services received is determined on the fair value of equity instruments granted to the employee at the grant date. The market price of the share is the closing price of the share on the last day of the financial year in Nasdaq First North Alternative Market. The proportional part of the share option for 2017 (2 months out of 36 months) is recognised as employee expense in income statement and as a reserve in equity.

## Notes

### Note 1 Accounting policies

#### General information

The financial statements 2017 of AS Linda Nektar have been prepared in accordance with the Estonian financial reporting standard. The main requirements of the Estonian financial reporting standard have been stipulated in the Accounting Act of the Republic of Estonia, and supplemented by the guidelines issued by the Accounting Board of the Republic of Estonia.

The company belongs to the small business category. The Annual report is compiled completely according to the regulations introduced for middle-sized companies.

The financial statements have been prepared in euros.

#### Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents are cash in hand, demand deposits in banks.

#### Foreign currency transactions and assets and liabilities denominated in a foreign currency

Foreign currency transactions are recorded based on the currency exchange rate valid on the transaction date. Monetary entries denominated in foreign currency are translated on the basis of the currency exchange rates of the European Central Bank officially valid on the balance sheet date. Foreign exchange gains and losses from revaluation are recorded in the income statement.

Foreign exchange gains and losses are recorded under revenue and expenses in the income statement of the reporting period.

#### Receivables and prepayments

Accounts receivable are short-term receivables generated in the course of ordinary business, except for receivables from other group companies and associated companies. Accounts receivable are recorded at amortised cost (i.e. nominal value less possible write-downs).

Accounts receivable are evaluated on an individual basis, if possible. If the evaluation of the receivables on an individual basis proves impossible, only the material receivables will be evaluated. Other receivables are evaluated as a set of receivables, considering the information available regarding the customer's previous debts. Collection of receivables, which have been previously expensed as doubtful receivables, are reported as an adjustment to doubtful receivables.

All other receivables (accrued income, loans granted, other short-term and long-term receivables), except for receivables held for trading, are recorded at amortised cost. Receivables held for trading are recorded at their fair value.

#### Inventories

Raw materials are recorded at cost, consisting of the purchase price, non-refundable taxes and direct transportation costs and other expenses directly related to the acquisition, incurred upon bringing the inventories to their present condition and location, less discounts and subsidies.

Finished products and work-in-progress are recorded at production cost, consisting of the direct production costs (cost of raw materials), staff remuneration and a proportional part of the production overheads (depreciation of production buildings and equipment).

The acquisition cost of inventories is calculated based on the FIFO method.

#### Plant, property and equipment and intangible assets

Assets with an acquisition cost of over 1,000 euros and a useful life of over 1 year are recorded as property, plant and equipment (PPE) in the balance sheet. Assets with a useful life of over 1 year, but an acquisition cost of less than 640 euros, are recorded as low-value items (in inventories) and are fully expensed when the asset is taken into use. Low-value items that have been expensed are accounted for off-balance sheet.

PPE are initially recorded at acquisition cost, consisting of the purchase price and expenses incurred with the aim of taking the asset item into use. Subsequent to initial recognition, PPE are recorded at net book value. PPE constructed for own use is recorded at acquisition cost, consisting of the actual manufacturing expenses.

Depreciation is calculated on a straight-line basis, depending on the estimated useful life of the asset item:

- production buildings: 15-16 years, improvements: 5 years

- other buildings: 15-16 years, improvements: 5 years
- machinery and equipment: 3-10 years
- IT equipment: 3-5 years
- office furniture: 3-7 years
- means of transport: 5 years
- tools and equipment: 3-5 years
- software: 5 years
- other intangible assets: 3 years

Land is not depreciated.

#### **Leases**

Accounting entity as lessor.

Operating lease payments are recorded during the rental period as expenses based on the straight-line method.

Accounting entity as lessee.

Operating lease payments are recorded during the rental period as income based on the straight-line method.

#### **Financial liabilities**

All financial liabilities (accounts payable, loans taken, accrued expenses, bonds issued, other short-term and long-term payables) are initially accounted for at their acquisition cost, which includes all expenses directly related to the acquisition. Subsequent to initial recognition, financial liabilities are recorded based on the amortised cost method.

As a rule, the amortised cost of short-term financial liabilities equals their nominal value. Therefore, short-term financial liabilities are recorded in the balance sheet at the payable amount. The amortised cost of long-term liabilities is calculated based on the effective interest rate method.

#### **Government grants**

Assets acquired with the help of government grants are recorded in the balance sheet at net acquisition cost, i.e. the acquisition cost, less government grants received for the purpose of acquiring assets (the acquisition cost of assets received free of charge is zero). Subsequent to initial recognition, the acquired assets are measured according to RTJ 5.

Government grants allocated for operating expenses will be charged to income, if the collection of the grant is certain and the conditions related to the grant have been fulfilled. If the conditions for recognition of the government grant under income have not been met, the grant will be recorded under liabilities in the balance sheet. The corresponding liability is recorded under current or non-current liabilities in the balance sheet, depending on when the conditions related to the government grant are met.

#### **Revenue recognition**

Revenue and expenses are recognised on an accrual basis, based on the matching principle. Income statement format No 1 is used.

Revenue is recognised on an accrual basis under the revenue recognition principle. Revenue from sales of goods is recorded on the moment the right of ownership is transferred to the buyer.

#### **Expense recognition**

Expenses on vacation pay are recorded in the period when they are incurred. The vacation reserve is adjusted on an annual basis at the end of each financial year. The earned vacation pay is charged to expenses in the income statement, and recorded in the balance sheet under current liabilities to employees.

#### **Taxation**

Pursuant to the applicable laws, Estonian companies are not subjected to pay income tax on the profit. Therefore, all temporary differences between the tax bases and carrying values of assets and liabilities cease to exist. Rather than being subjected to income tax on the profit, Estonian companies are subjected to 20/80 income tax on the net dividends paid from retained earnings in 2016. Corporate income tax on the payment of dividends is recorded under income tax expense in the income statement at the moment of announcing the dividends, irrespective of the period for which the dividends were announced or when the dividends are actually paid.

#### **Related parties**

For the purposes of the financial statements of AS Linda Nektar, the following are considered related parties:

- owners (parent company and owners of the parent company);
- management board and higher management;
- close relatives of the above persons, and the companies related to them.

Share-based Payments

Derivatives (e.g. forward, future, swap and option contracts) are carried in the balance sheet at their fair value. The fair value of services (work contribution) provided by employees to the entity in return for shares is recognised as employee costs in the income statement and as an equity reserve from the date of granting the share option and during the period when the services have been provided. The fair value of the services received is determined on the fair value of equity instruments (market price) granted to employees at the grant date. The market price of the share is the closing price of the share on the last day of the financial year in Nasdaq First North Alternative Market. Derivatives are revalued at balance sheet date according to the change in fair value of the instrument.

## Note 2 Cash and cash equivalents

(In Euros)

	31.12.2017	31.12.2016
Cash on hand	21	29
Bank accounts	720 473	1 103 488
<b>Total cash and cash equivalents</b>	<b>720 494</b>	<b>1 103 517</b>

## Note 3 Receivables and prepayments

(In Euros)

	31.12.2017	Allocation by remaining maturity		Note
		Within 12 months	1 - 5 years	
Accounts receivable	172 336	172 336	0	
Accounts receivables	172 336	172 336	0	
Tax prepayments and receivables	26 618	26 618	0	5
Prepayments	3 501	3 266	235	
Deferred expenses	3 344	3 109	235	
Other paid prepayments	157	157	0	
<b>Total receivables and prepayments</b>	<b>202 455</b>	<b>202 220</b>	<b>235</b>	

	31.12.2016	Allocation by remaining maturity		Note
		Within 12 months	1 - 5 years	
Accounts receivable	293 234	293 234	0	
Accounts receivables	293 234	293 234	0	
Tax prepayments and receivables	48 390	48 390	0	5
Prepayments	5 422	4 905	517	
Deferred expenses	5 422	4 905	517	
<b>Total receivables and prepayments</b>	<b>347 046</b>	<b>346 529</b>	<b>517</b>	

## Note 4 Inventories

(In Euros)

	31.12.2017	31.12.2016
Raw materials	111 747	99 502
Work in progress	219 146	183 731
Finished goods	13 283	7 298
Merchandise	589	532
Inventory prepayments	2 499	14 994
Inventory prepayments	2 499	14 994
<b>Total Inventories</b>	<b>347 264</b>	<b>306 057</b>

No write-down or reclassifications of inventories were made in 2016 and 2017.

## Note 5 Tax prepayments and liabilities

(In Euros)

	31.12.2017		31.12.2016	
	Tax prepayments	Tax liabilities	Tax prepayments	Tax liabilities
Value added tax	1 418	0	6 138	0
Personal income tax	0	3 984	0	4 264
Fringe benefit income tax	0	909	0	741
Social tax	0	8 483	0	8 877
Contributions to mandatory funded pension	0	446	0	494
Unemployment insurance tax	0	366	0	446
Excise duty tax	25 200	0	25 300	0
Other tax prepayments and liabilities	0	399	0	674
Prepayment account balance	0		16 952	
<b>Total tax prepayments and liabilities</b>	<b>26 618</b>	<b>14 587</b>	<b>48 390</b>	<b>15 496</b>

## Note 6 Property, plant and equipment (In Euros)

										Total
	Land	Buildings				Machinery and equipment	Other property, plant and equipment	Unfinished projects	Unfinished projects and prepayments	
			Transportation	Computers and computer systems	Other machinery and equipment					
<b>31.12.2015</b>										
Carried at cost	6 700	726 844	10 309	10 511	2 096 602	2 117 422	55 441	462 349	462 349	3 368 756
Accumulated depreciation		-205 890	-10 309	-6 324	-1 128 875	-1 145 508	-21 339	0		-1 372 737
<b>Residual cost</b>	<b>6 700</b>	<b>520 954</b>	<b>0</b>	<b>4 187</b>	<b>967 727</b>	<b>971 914</b>	<b>34 102</b>	<b>462 349</b>	<b>462 349</b>	<b>1 996 019</b>
Acquisitions and additions		43 346	53 189	4 009	422 101	479 299	3 599	458 718	458 718	984 962
Acquisition of buildings, new building, renovations		43 346						186 268	186 268	229 614
Other acquisitions and additions			53 189	4 009	422 101	479 299	3 599	272 450	272 450	755 348
Depreciation	0	-47 839	-10 638	-3 343	-210 703	-224 684	-11 383	0	0	-283 906
Reclassifications	0	91 881	0	0	234 356	234 356	0	-326 237	-326 237	0
Reclassifications from unfinished projects	0	91 881	0	0	234 356	234 356	0	-326 237	-326 237	0
<b>31.12.2016</b>										
Carried at cost	6 700	862 071	63 498	14 520	2 744 398	2 822 416	58 318	594 830	594 830	4 344 335
Accumulated depreciation	0	-253 729	-20 947	-9 667	-1 330 917	-1 361 531	-32 000	0		-1 647 260
<b>Residual cost</b>	<b>6 700</b>	<b>608 342</b>	<b>42 551</b>	<b>4 853</b>	<b>1 413 481</b>	<b>1 460 885</b>	<b>26 318</b>	<b>594 830</b>	<b>594 830</b>	<b>2 697 075</b>
Acquisitions and additions		10 361	14 833	0	86 281	101 114	21 371	376 809	376 809	509 655
Acquisition of buildings, new building, renovations		10 361								10 361
Other acquisitions and additions			14 833	0	86 281	101 114	21 371	376 809	376 809	499 294
Depreciation	0	-54 719	-11 626	-2 470	-288 073	-302 169	-9 608	0	0	-366 496
Reclassifications	0	0	0	0	399 667	399 667	0	-399 667	-399 667	0
Reclassifications from unfinished projects	0	0	0	0	399 667	399 667	0	-399 667	-399 667	0
<b>31.12.2017</b>										
Carried at cost	6 700	872 432	68 022	14 520	3 221 930	3 304 472	79 688	571 972	571 972	4 835 264
Accumulated depreciation	0	-308 448	-22 264	-12 137	-1 610 574	-1 644 975	-41 607	0		-1 995 030
<b>Residual cost</b>	<b>6 700</b>	<b>563 984</b>	<b>45 758</b>	<b>2 383</b>	<b>1 611 356</b>	<b>1 659 497</b>	<b>38 081</b>	<b>571 972</b>	<b>571 972</b>	<b>2 840 234</b>

### Disposed property, plant and equipment at selling price

	2017	2016
Machinery and equipment	250	0
Transportation	250	0
<b>Total</b>	<b>250</b>	<b>0</b>

In 2017 AS Linda Nektar wrote off non-current assets which were unfit for use and technically out-dated. The acquisition cost of these assets was 8,417 euros (2016: EUR 9,382). As at 31 December 2017, outstanding payables to suppliers of the non-current assets amounted to EUR 16,549 (2016: EUR 122,039).

In January and February 2018 the company has received grants from Estonian Agricultural Registers and Information Board in the amount of 128,982 euros for machinery and equipment and 155,346 euros for the extension of production building. Assets that are acquired using grants are recognised at net cost - i.e. at cost of assets less grants received.

## Note 7 Intangible assets

(In Euros)

				Total
	Computer software	Other intangible assets	Unfinished projects and prepayments	
<b>31.12.2015</b>				
Carried at cost	7 349	215 000	3 000	225 349
Accumulated depreciation	-4 173	-11 316	0	-15 489
<b>Residual cost</b>	<b>3 176</b>	<b>203 684</b>	<b>3 000</b>	<b>209 860</b>
Acquisitions and additions	0	0	3 810	3 810
Depreciation	-916	-67 897	0	-68 813
<b>31.12.2016</b>				
Carried at cost	7 349	215 000	6 810	229 159
Accumulated depreciation	-5 089	-79 213	0	-84 302
<b>Residual cost</b>	<b>2 260</b>	<b>135 787</b>	<b>6 810</b>	<b>144 857</b>
Acquisitions and additions	3 300	750	4 600	8 650
Depreciation	-940	-68 023	0	-68 963
Reclassifications	0	6 810	-6 810	0
<b>31.12.2017</b>				
Carried at cost	7 175	226 034	4 600	237 809
Accumulated depreciation	-2 555	-150 710	0	-153 265
<b>Residual cost</b>	<b>4 620</b>	<b>75 324</b>	<b>4 600</b>	<b>84 544</b>

## Note 8 Operating lease

(In Euros)

### Accounting entity as lessor

	2017	2016	Note
Operating lease income	250 181	519 150	13



Residual cost of leased assets			
Machinery and equipment	15 235	49 504	
<b>Total</b>	<b>15 235</b>	<b>49 504</b>	

AS Linda Nektar has leased out its equipment under operating lease terms until November 2018.

#### Accounting entity as lessee

	2017	2016	Note
Operating lease expenses	4 322	4 852	
Future lease expense under non-cancellable lease contracts			
	31.12.2017	31.12.2016	Note
Within 12 months	235	282	
1 - 5 years	0	517	

## Note 9 Payables and prepayments

(In Euros)

	31.12.2017	Within 12 months	Note
Trade payables	77 910	77 910	
Employee payables	7 369	7 369	
Tax payables	14 587	14 587	5
Other payables	146	146	
Other accrued expenses	146	146	
<b>Total payables and prepayments</b>	<b>100 012</b>	<b>100 012</b>	
	31.12.2016	Within 12 months	Note
Trade payables	269 987	269 987	
Employee payables	3 938	3 938	
Tax payables	15 496	15 496	5
Other payables	2 086	2 086	
Other accrued expenses	2 086	2 086	
<b>Total payables and prepayments</b>	<b>291 507</b>	<b>291 507</b>	

## Note 10 Contingent liabilities and assets

(In Euros)

	31.12.2017	31.12.2016
Contingent liabilities		
Distributable dividends	1 467 318	1 671 680
Income tax liability on distributable dividends	366 829	417 920
<b>Total contingent liabilities</b>	<b>1 834 147</b>	<b>2 089 600</b>

## Note 11 Grants

(In Euros)

Assets at cost

	31.12.2015	Received	Revenue	31.12.2016
Grants for operating expenses				
EE support	74 112	81 746	-155 858	0
<b>Total grants for operating expenses</b>	<b>74 112</b>	<b>81 746</b>	<b>-155 858</b>	<b>0</b>
<b>Total grants</b>	<b>74 112</b>	<b>81 746</b>	<b>-155 858</b>	<b>0</b>
	31.12.2016	Received	Revenue	31.12.2017
Grants for operating expenses				
EE support	0	0	0	0
<b>Total grants for operating expenses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total grants</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Note 12 Share capital

(In Euros)

	31.12.2017	31.12.2016
Share capital	1 575 109	1 575 109
Number of shares (pcs)	1 575 109	1 575 109
Nominal value of shares	1	1

## Note 13 Net sales

(In Euros)

	2017	2016
Net sales by geographical location		
Net sales in European Union		
Estonia	1 419 211	2 733 640
Finland	522 124	508 692
Latvia	521 974	477 073
<b>Total net sales in European Union</b>	<b>2 463 309</b>	<b>3 719 405</b>
<b>Total net sales</b>	<b>2 463 309</b>	<b>3 719 405</b>
Net sales by operating activities		
Manufacture of cider and other fruit wines	2 197 444	3 170 558
Equipment rent	250 181	519 150
Wastewater treatment	10 251	7 754
Sale of material	2 613	1 526
Sale of goods	1 827	20 417
Sale of aroma	993	0
<b>Total net sales</b>	<b>2 463 309</b>	<b>3 719 405</b>

## Note 14 Other operating income

(In Euros)

	2017	2016
Profit from sale of plant, property and equipment	250	0
Revenue from grants	0	155 857
<b>Total other operating income</b>	<b>250</b>	<b>155 857</b>

## Note 15 Goods, raw materials and services

(In Euros)

	2017	2016
Raw materials	-967 966	-1 411 250
Services	-394 968	-590 885
<b>Total goods, raw materials and services</b>	<b>-1 362 934</b>	<b>-2 002 135</b>

## Note 16 Miscellaneous operating expenses

(In Euros)

	2017	2016
Exploration and development expense	-23 034	-116 062
Travel expense	-52 616	-40 595
State and local taxes	-10 639	-10 512
"First North" costs	-15 989	-15 664
Legal and audit expenses	-19 432	-32 490
Other	-97 738	-75 676
<b>Total miscellaneous operating expenses</b>	<b>-219 448</b>	<b>-290 999</b>

## Note 17 Labor expense

(In Euros)

	2017	2016
Wage and salary expense	-245 803	-245 875
Social security taxes	-80 048	-82 036
<b>Total labor expense</b>	<b>-325 851</b>	<b>-327 911</b>
Average number of employees in full time equivalent units	13	12
Average number of employees by types of employment:		
Person employed under employment contract	12	11
Member of management or controlling body of legal person	5	4

## Note 18 Income tax

(In Euros)

Income tax expense components	2017		2016	
	Taxable amount	Income tax expense	Taxable amount	Income tax expense
Declared dividends	299 271	74 818	141 760	35 440
Estonia	290 293	72 573	138 034	34 509
Other countries	8 978	2 245	3 726	931
<b>Total</b>	<b>299 271</b>	<b>74 818</b>	<b>141 760</b>	<b>35 440</b>

## Note 19 Related parties

(In Euros)

Name of accounting entity's parent company	Fermex International OÜ
Country where accounting entity's parent company is registered	Estonia

**Related party balances according to groups**

	31.12.2017		31.12.2016	
	Receivables	Liabilities	Receivables	Liabilities
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	0	214	0	5 168

**Purchases and sales**

	2017	2016
	Purchases	Purchases
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	3 817	20 697

<b>Remuneration and other significant benefits calculated for members of management and highest supervisory body</b>		
	2017	2016
Remuneration	81 804	94 785

For the purposes of the financial statements of AS Linda Nektar, the following are considered related parties:

- owners (parent company and owners of the parent company);
- management board and higher management;
- close relatives of the above persons, and the companies related to them.

In 2017, an option agreement was signed with a member of AS Linda Nektar supervisory board. The share option gives the supervisory board member a right to acquire 5,034 ordinary shares of AS Linda Nektar. Upon exercising the option the option holder must pay the share nominal value of 1 euro per share, ie 5,034 euros. The vesting period of the option agreement is three years from the date of signing the contract. To exercise the option the option holder has to have a work relationship or participate in the work of management or highest supervisory body of the company during the whole vesting period.

The fair value of the services received is determined on the fair value of equity instruments granted to the employee at the grant date. The market price of the share is the closing price of the share on the last day of the financial year in Nasdaq First North Alternative Market. The proportional part of the share option for 2017 (2 months out of 36 months) is recognised as employee expense in income statement and as a reserve in equity.



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## INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)

To the Shareholders of aktsiaselts Linda Nektar

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### Opinion

We have audited the financial statements of aktsiaselts Linda Nektar (the Company), which comprise the balance sheet as at December 31, 2017, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Estonian financial reporting standard.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia) (ISA (EE)s). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with *Code of Ethics for Professional Accountants (Estonia)* (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises the Management report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the Management report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management report and, in doing so, consider whether the Management report is materially inconsistent with the 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

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there is a material misstatement in the Management report, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of the financial statements in accordance with Estonian financial reporting standard, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ISA (EE)s 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 financial statements.

As part of an audit in accordance with ISA (EE)s, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's

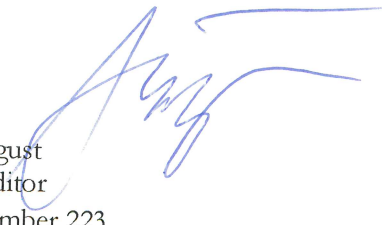


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report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.



Aivar Kangust  
Sworn Auditor  
License number 223

Grant Thornton Baltic OÜ  
License number 3  
Ahtri 6a, 10151 Tallinn  
March 7, 2018