



Linda Nektar

ANNUAL REPORT

Beginning of financial year: 01.01.2016

End of the financial year: 31.12.2016

Business name: AS Linda Nektar

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Management report

The results for AS Linda Nektar (the 'Company') largely met management expectations for 2016. Through investments made into capacity expansion and additional demand from customers sales increased 34.9% y-o-y to EUR 3,719,405 for the 2016 (0.5 % increase y-o-y to EUR 2,757,055 for 2015). Also from a geographical perspective there was increase in export sales during the course of the year.

As at 31.12.2016, the total assets of AS Linda Nektar were EUR 4,598,552 (as at 31.12.2015: EUR 3,901,958), having increased by 17.9% compared to 2015. This primarily reflects the investments in fixed assets as well as the net profit of the enterprise. Current assets made up EUR 1,756,103 or 38.2% of the assets (2015: EUR 1,696,079). The volume of fixed assets amounted to EUR 2,842,449 (2015: EUR 2,205,879) or 61.8% of the balance sheet total. The total liabilities of AS Linda Nektar amounted to EUR 291,507 (2015: EUR 284,815) and the equity capital of the company increased to EUR 4,307,045 (2015: EUR 3,617,143). The Company does not carry any financial debt, although a credit facility remains in place.

The net profit for the financial year came to EUR 831,662, representing an 89.0% y-o-y increase (35.9% y-o-y increase for 2015, to EUR 440,140)

Key investments included construction and repair works (enabling further capacity from that available in late 2016, incorporating some PRIA-related grant support), purchases of production equipment for expanding and automating production as well as procurements in the aroma technology area developed by the enterprise. In total, EUR 988,772 were invested in property, plant and equipment (2015: EUR 871,954). Depreciation expenses in 2016 amounted to EUR 352,719 (2015: EUR 236, 806), which have increased due to the aforementioned investments.

Development costs in 2016 amounted to EUR 116,062 (2015: EUR 190,725). These R&D costs have been recognised as expenses. During the 2016 financial year, the 'Development project of Linda Nektar production enterprises' supported by Enterprise Estonia, was completed. As a result, the targeted financing previously recorded on the balance sheet as a short-term liability has been recorded as operating income of EUR 155,857.

In 2016, the enterprise paid dividends for the performance of the 2015 financial year in the amount of 141,760 euros. The income tax expense entailed in the payment of dividends to the shareholders amounted to 35,440 euros.

As at 31 December 2016, the enterprise had 12 employees, 1 member of the management board and 3 supervisory board members. The salary expenses for the 2016 (including taxes) were EUR 327,911 (2015: EUR 296,553). Labour costs have increased due to additional employees and salary increases, as well as the payment of performance-related pay.

The first industrial scale aroma batches have been produced (and shipped in January 2017), which attest to the successful functioning of the aroma recovery equipment which was installed into the Kobela premises during the second half of 2016. This achieves an important milestone for some of the Company's ongoing research and development processes being undertaken during the past eight years.

Due to the announcement of new radically higher excise taxes for Estonian consumers of alcoholic beverages as well as developments in alcohol-selling legislation, the Company expects market disturbance at the time of implementation. The predictability of consumer behaviour and thus volume for the financial year of 2017 is therefore changeable. At the same time the Company continues to explore new business within the partnership framework in place. Management therefore considers it prudent to repeat its 2017 revenue guidance of EUR 3.5-4.0m from February 16th 2017. When likely financial performance and/or market conditions during the course of the year become clearer updated information will be provided.

The enterprise continues to be mainly focused on product and technology development as well as plans concerning the introduction of new aroma technology and the improvement of production.

Financial Ratios:

		2016	2015
Current Ratio = Current Assets/ Current Liabilities	x	6.02	5.96
Quick ratio = (Current Assets – Inventories) / Current Liabilities	x	4.97	4.76
Working Capital = Current Assets - Current Liabilities		1,464,596	1,411,264
Equity Ratio = Total Equity / Total Assets	%	93.66	92.70
Net Profit Margin= Net Profit / Sales Revenue	%	22.36	15.96
Debt to Assets= Total Liabilities / Total Assets	x	0.06	0.07

The annual accounts

Statement of financial position

(In Euros)

	31.12.2016	31.12.2015	Note
Assets			
Current assets			
Cash and cash equivalents	1 103 517	991 984	2
Receivables and prepayments	346 529	364 402	3
Inventories	306 057	339 693	4
Total current assets	1 756 103	1 696 079	
Non-current assets			
Receivables and prepayments	517	0	3
Property, plant and equipment	2 697 075	1 996 019	6
Intangible assets	144 857	209 860	7
Total non-current assets	2 842 449	2 205 879	
Total assets	4 598 552	3 901 958	
Liabilities and equity			
Liabilities			
Current liabilities			
Payables and prepayments	291 507	210 703	9
Government grants	0	74 112	12
Total current liabilities	291 507	284 815	
Total liabilities	291 507	284 815	
Equity			
Issued capital	1 575 109	1 575 109	13
Share premium	617 517	617 517	
Statutory reserve capital	24 819	2 812	
Retained earnings (loss)	1 257 938	981 565	
Annual period profit (loss)	831 662	440 140	
Total equity	4 307 045	3 617 143	
Total liabilities and equity	4 598 552	3 901 958	

Income statement

(In Euros)

	2016	2015	Note
Revenue	3 719 405	2 757 055	14
Other income	155 857	8 016	15
Changes in inventories of finished goods and work in progress	-29 499	64 209	
Raw materials and consumables used	-2 002 135	-1 445 369	16
Other operating expense	-290 999	-374 149	17
Employee expense	-327 911	-296 553	18
Depreciation and impairment loss (reversal)	-352 719	-236 806	6,7
Other expense	-5 001	-4 249	
Operating profit (loss)	866 998	472 154	
Interest income	104	261	
Profit (loss) before tax	867 102	472 415	
Income tax expense	-35 440	-32 275	19
Annual period profit (loss)	831 662	440 140	

Statement of cash flows

(In Euros)

	2016	2015	Note
Cash flows from operating activities			
Operating profit (loss)	866 998	472 154	
Adjustments			
Depreciation and impairment loss (reversal)	352 719	236 806	6,7
Other adjustments	-155 857	0	
Total adjustments	196 862	236 806	
Changes in receivables and prepayments related to operating activities	17 355	-170 863	
Changes in inventories	33 636	-91 877	
Changes in payables and prepayments related to operating activities	10 047	86	
Income tax refund (paid)	-35 440	-32 275	19
Proceeds from government grants	81 746	74 112	12
Total cash flows from operating activities	1 171 204	488 143	
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	-918 015	-841 364	6,7
Interest received	104	261	
Total cash flows from investing activities	-917 911	-841 103	
Cash flows from financing activities			
Proceeds from issuing shares	0	820 002	
Dividends paid	-141 760	-129 100	19
Other cash outflows from financing activities	0	-56 056	
Total cash flows from financing activities	-141 760	634 846	
Total cash flows	111 533	281 886	
Cash and cash equivalents at beginning of period	991 984	710 098	2
Change in cash and cash equivalents	111 533	281 886	
Cash and cash equivalents at end of period	1 103 517	991 984	2

Statement of changes in equity

(In Euros)

					Total
	Issued capital	Share premium	Statutory reserve capital	Retained earnings (loss)	
31.12.2014	28 116	0	2 812	2 511 229	2 542 157
Annual period profit (loss)	0	0	0	440 140	440 140
Issue of equity	146 429	673 573	0	0	820 002
Declared dividends	0	0	0	-129 100	-129 100
Other changes in equity	1 400 564	-56 056	0	-1 400 564	-56 056
31.12.2015	1 575 109	617 517	2 812	1 421 705	3 617 143
Annual period profit (loss)	0	0	0	831 662	831 662
Declared dividends	0	0	0	-141 760	-141 760
Changes in reserves	0	0	22 007	-22 007	0
31.12.2016	1 575 109	617 517	24 819	2 089 600	4 307 045

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.

With the shareholder's resolution adopted in April 2015, the company's share capital was raised by 1,400,564 euros by way of a bonus issue. The bonus issue was carried out at the expense of owner's equity, without any contributions to the share capital. Pursuant to RTJ 3, the costs incurred on the issue of shares have been recognised as a reduction of owner's equity under "Share premium" in the amount of 56,056 euros.

The shareholders of AS Linda Nektar have approved the company's share options programme. The options programme covers up to 3% of the total registered share capital as at 31 December 2016. 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. No option agreements were entered into in 2016. Therefore, the options have not been covered in these financial statements.

Notes

Note 1 Accounting policies

General information

The financial statements 2016 of AS Linda Nektar have been prepared in accordance with the generally accepted accounting principles of the Republic of Estonia. The main requirements of the generally accepted accounting principles of the Republic of Estonia 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 and large companies.

The financial statements have been prepared in euros.

Changes in accounting policies or presentation of information

In the financial year 2016 there were made the following changes in the expense classifications:

In the 2015 Annual Report, the reporting of financial year 2015 expenses stated:

- Goods, raw materials and services	1,410,098
- Other operating expenses	409,420

In the 2016 Annual Report, the reporting of financial year 2015 expenses stated:

- Goods, raw materials and services	1,445,369
- Other operating expenses	374,149

Change made:

- Goods, raw materials and services	35,271
- Other operating expenses	-35,271

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) and

a proportional part of the production overheads (depreciation of production buildings and equipment, staff remuneration).

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 640 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.

Equity statutory reserve capital

Pursuant to the Articles of Association of AS Linda Nektar, a legal reserve shall be established in the amount of 1/10 of the share capital. Every year, at least 1/20 of the net profit must be transferred to the mandatory reserve. Once the reserve meets the requirements of the Articles of Association, the reserve will no longer be increased at the expense of net profit.

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.

Note 2 Cash and cash equivalents

(In Euros)

	31.12.2016	31.12.2015
Cash on hand	29	339
Bank accounts	1 103 488	991 645
Total cash and cash equivalents	1 103 517	991 984

Note 3 Receivables and prepayments

(In Euros)

	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	
Total receivables and prepayments	347 046	346 529	517	

	31.12.2015	Allocation by remaining maturity		Note
		Within 12 months	1 - 5 years	
Accounts receivable	312 883	312 883	0	
Accounts receivables	312 883	312 883	0	
Tax prepayments and receivables	47 071	47 071	0	5
Prepayments	4 448	4 448	0	
Deferred expenses	4 448	4 448	0	
Total receivables and prepayments	364 402	364 402	0	

Note 4 Inventories

(In Euros)

	31.12.2016	31.12.2015
Raw materials	99 502	94 913
Work in progress	183 731	184 422
Finished goods	7 298	36 106
Merchandise	532	532
Inventory prepayments	14 994	23 720
Inventory prepayments	14 994	23 720
Total Inventories	306 057	339 693

Note 5 Tax prepayments and liabilities

(In Euros)

	31.12.2016		31.12.2015	
	Tax prepayments	Tax liabilities	Tax prepayments	Tax liabilities
Value added tax	6 138	0	0	3 194
Personal income tax	0	4 264	0	4 329
Fringe benefit income tax	0	741	0	831
Social tax	0	8 877	0	8 578
Contributions to mandatory funded pension	0	494	0	367
Unemployment insurance tax	0	446	0	578
Excise duty tax	25 300	0	16 100	0
Other tax prepayments and liabilities	0	674	0	534
Prepayment account balance	16 952		30 971	
Total tax prepayments and liabilities	48 390	15 496	47 071	18 411

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					
31.12.2014										
Carried at cost	6 700	705 409	10 309	9 753	1 719 152	1 739 214	53 926	215 138	215 138	2 720 387
Accumulated depreciation	0	-160 441	-10 309	-4 469	-968 756	-983 534	-10 326	0	0	-1 154 301
Residual cost	6 700	544 968	0	5 284	750 396	755 680	43 600	215 138	215 138	1 566 086
Acquisitions and additions	0	21 435		1 633	222 866	224 499	1 515	406 505	406 505	653 954
Acquisition of buildings, new building, renovations		21 435						0	0	21 435
Other acquisitions and additions				1 633	222 866	224 499	1 515	406 505	406 505	632 519
Depreciation	0	-45 449		-2 730	-164 829	-167 559	-11 013	0		-224 021
Reclassifications	0	0		0	159 294	159 294	0	-159 294	-159 294	0
Reclassifications from unfinished projects	0	0		0	159 294	159 294	0	-159 294	-159 294	0
31.12.2015										
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	0	-205 890	-10 309	-6 324	-1 128 875	-1 145 508	-21 339	0		-1 372 737
Residual cost	6 700	520 954	0	4 187	967 727	971 914	34 102	462 349	462 349	1 996 019
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			-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
31.12.2016										
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
Residual cost	6 700	608 342	42 551	4 853	1 413 481	1 460 885	26 318	594 830	594 830	2 697 075

In 2016 AS Linda Nektar wrote off non-current assets which were unfit for use and technically out-dated. The acquisition cost of these assets was 9,382 euros. As at 31 December 2016, outstanding payables to suppliers of the non-current assets amounted to 122,039 (2015: 48,281) euros.

Note 7 Intangible assets

(In Euros)

				Total
	Computer software	Other intangible assets	Unfinished projects and prepayments	
31.12.2014				
Carried at cost	7 349	0	0	7 349
Accumulated depreciation	-2 703	0	0	-2 703
Residual cost	4 646	0	0	4 646
Acquisitions and additions	0	215 000	3 000	218 000
Depreciation	-1 470	-11 316	0	-12 786
31.12.2015				
Carried at cost	7 349	215 000	3 000	225 349
Accumulated depreciation	-4 173	-11 316	0	-15 489
Residual cost	3 176	203 684	3 000	209 860
Acquisitions and additions	0	0	3 810	3 810
Depreciation	-916	-67 897	0	-68 813
31.12.2016				
Carried at cost	7 349	215 000	6 810	229 159
Accumulated depreciation	-5 089	-79 213	0	-84 302
Residual cost	2 260	135 787	6 810	144 857

Note 8 Operating lease

(In Euros)

Accounting entity as lessor

	2016	2015
Operating lease income	519 150	547 600
Residual cost of leased assets		
Machinery and equipment	49 504	83 774
Total	49 504	83 774

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

Accounting entity as lessee

	2016	2015
Operating lease expenses	4 852	24 680
Future lease expense under non-cancellable lease contracts		
	31.12.2016	31.12.2015
Within 12 months	282	6 870
1 - 5 years	517	0

Note 9 Payables and prepayments

(In Euros)

	31.12.2016	Within 12 months	Note
Trade payables	269 987	269 987	
Employee payables	3 938	3 938	10
Tax payables	15 496	15 496	5
Other payables	2 086	2 086	
Other accrued expenses	2 086	2 086	
Total payables and prepayments	291 507	291 507	
	31.12.2015	Within 12 months	Note
Trade payables	183 156	183 156	
Employee payables	2 829	2 829	10
Tax payables	18 411	18 411	5
Other payables	6 307	6 307	
Other accrued expenses	6 307	6 307	
Total payables and prepayments	210 703	210 703	

Note 10 Employee payables

(In Euros)

	31.12.2016	31.12.2015
Vacation pay liability	3 938	2 829
Total employee payables	3 938	2 829

Note 11 Contingent liabilities and assets

(In Euros)

	31.12.2016	31.12.2015
Contingent liabilities		
Distributable dividends	1 671 680	1 137 364
Income tax liability on distributable dividends	417 920	284 341
Total contingent liabilities	2 089 600	1 421 705

Note 12 Grants

(In Euros)

Assets at net cost

	2016	2015
	Received	Received
Grants for operating expenses		
EE support	81 746	74 112
Total grants for operating expenses	81 746	74 112
Total grants	81 746	74 112

Note 13 Share capital

(In Euros)

	31.12.2016	31.12.2015
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 14 Net sales

(In Euros)

	2016	2015
Net sales by geographical location		
Net sales in European Union		
Estonia	2 733 640	2 396 529
Finland	508 692	208 854
Latvia	477 073	151 672
Total net sales in European Union	3 719 405	2 757 055
Total net sales	3 719 405	2 757 055
Net sales by operating activities		
Manufacture of cider and other fruit wines	3 170 558	2 199 284
Equipment rent	519 150	547 600
Wastewater treatment	7 754	7 321
Sale of material	1 526	2 850
Sale of goods	20 417	0
Total net sales	3 719 405	2 757 055

Note 15 Other operating income

(In Euros)

	2016	2015
Revenue from grants	155 857	0
Other	0	8 016
Total other operating income	155 857	8 016

Note 16 Goods, raw materials and services

(In Euros)

	2016	2015
Raw materials	-1 766 091	-1 293 567
Goods purchased for resale	-6 304	0
Services	-229 740	-151 802
Total goods, raw materials and services	-2 002 135	-1 445 369

Note 17 Miscellaneous operating expenses

(In Euros)

	2016	2015
Exploration and development expense	-116 062	-189 733
Travel expense	-40 595	-48 058
State and local taxes	-10 512	-9 329
"First North" costs	-15 664	-8 648
Legal and audit expenses	-32 490	-14 003
Other	-75 676	-104 378
Total miscellaneous operating expenses	-290 999	-374 149

Note 18 Labor expense

(In Euros)

	2016	2015
Wage and salary expense	-245 875	-222 758
Social security taxes	-82 036	-73 795
Total labor expense	-327 911	-296 553
Average number of employees in full time equivalent units	12	11
Average number of employees by types of employment:		
Person employed under employment contract	11	10
Member of management or controlling body of legal person	4	4

Note 19 Income tax

(In Euros)

Income tax expense components	2016		2015	
	Taxable amount	Income tax expense	Taxable amount	Income tax expense
Declared dividends	141 760	35 440	129 100	32 275
Estonia	138 034	34 509	129 100	32 275
Other countries	3 726	931	0	0
Total	141 760	35 440	129 100	32 275

Note 20 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

	31.12.2016		31.12.2015	
	Receivables	Liabilities	Receivables	Liabilities
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	0	5 168	0	1 278

Purchases and sales

	2016	2015
	Purchases	Purchases
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	20 697	585

Remuneration and other significant benefits calculated for members of management and highest supervisory body	2016	2015
Remuneration	94 785	92 824

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 2016 Linda Nektar sponsored the preparatory training of and participation of the 3-member FIN 955 sailboat team in the World Cup competition and H-vene ranking competitions with a total of 5,000 euros.

The Annual Report Approval

Date of completion the Annual Report is 14.03.2017

Linda Nektar AS (registry code: 10211034) 01.01.2016-31.12.2016 accounting year Annual Report data accuracy is confirmed by:



Kadri Rauba
Board Member
14.03.2017



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INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)

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To the Shareholders of AS Linda Nektar

Opinion

We have audited the financial statements of AS Linda Nektar (the Company), which comprise the balance sheet as at December 31, 2016, 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, 2016, and its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in Estonia.

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

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Tax
Legal
Financial advisory

conclude that 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 accounting principles generally accepted in Estonia, 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.

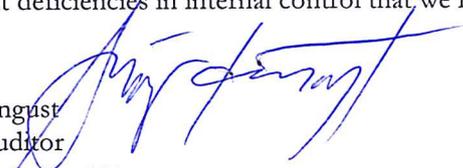
As part of an audit in accordance with ISA (EE)s, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 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 14, 2017