



AS Linda Nektar

Management report and Financial Statements

for the 12 month period ended 31 December 2017

(unaudited)

Reporting period: 01.01.2017 – 31.12.2017

Financial Year: 01.01.2017 – 31.12.2017

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Background Information

AS Linda Nektar is an Estonian-based beverage company with origins in the 1940s. The company is providing fermented beverages for the drinks industry focusing on unpacked fruit wines under a Business-to-Business model. The company's production facility is located in a logistically favourable position relative to the Baltic and Northern European markets.

Extensive R&D efforts have led to breakthroughs in the field of aroma stripping and recovery and this, along with the planned geographical expansion, will be the key focal points in the coming years.

The shares of Linda Nektar are admitted to trading on Nasdaq Baltic First North Market.



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)

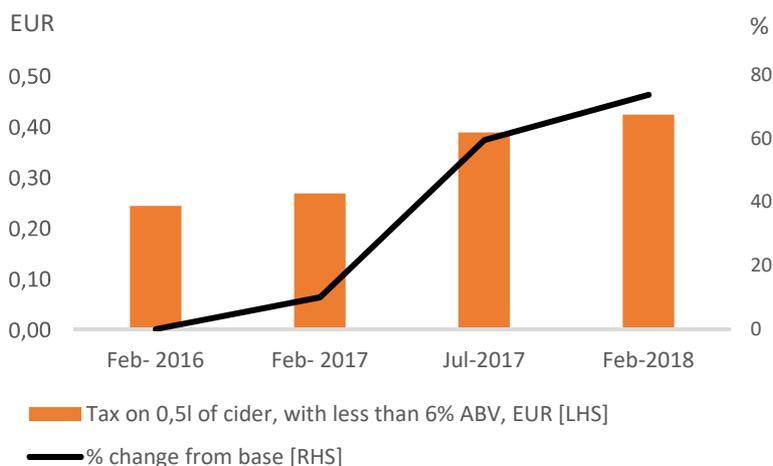
Product	Excise duty rate 01.02.2016	Excise duty rate 01.02.2017	Excise duty rate 01.07.2017	Excise duty rate 01.02.2018	Unit
Beer*	8.30	9.13	15.52	16.92	1% of ethanol content by volume in hectolitre
Fermented beverage or wine with an ethanol content ≤ 6 vol.	48.55	53.41	77.44	84.41	hectolitre
Fermented 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

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

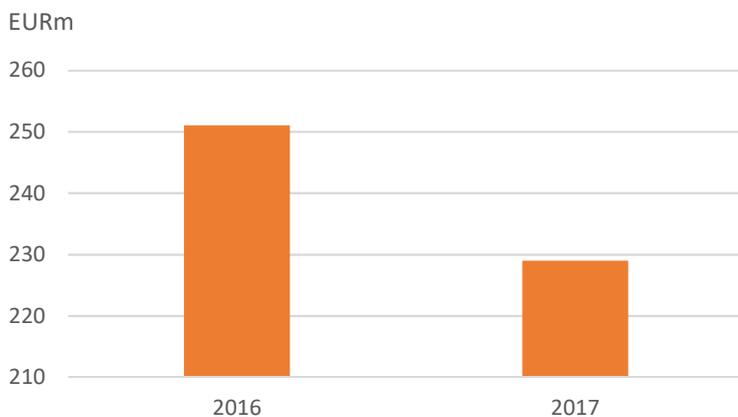
Changes in Alcohol Excise Taxes in Estonia



Source: Estonia Tax and Custom Board webpage www.emta.ee

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; 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

Financial Statements

The report is prepared according to the Accounting Principles Generally Accepted in Estonia. The report follows the same accounting principles that were used in the annual report. The report is compiled in Euros (EUR).

Statement of financial position

(In Euros, 2017 unaudited)

	31.12.2017	30.06.2017	31.12.2016	30.06.2016
Assets				
Current assets				
Cash and cash equivalents	720 494	689 422	1 103 517	744 903
Receivables and prepayments	202 220	337 545	346 529	689 917
Inventories	347 264	325 775	306 057	359 643
Total current assets	1 269 978	1 352 742	1 756 103	1 794 463
Non-current assets				
Receivables and prepayments	235	235	517	0
Property, plant and equipment	2 840 234	2 868 974	2 697 075	2 367 273
Intangible assets	84 544	111 271	144 857	179 193
Total non-current assets	2 925 013	2 980 480	2 842 449	2 546 466
Total assets	4 194 991	4 333 222	4 598 552	4 340 929
Liabilities and equity				
Liabilities				
Current liabilities				
Payables and prepayments	100 012	206 570	291 507	297 766
Government grants	0	0	0	155 857
Total current liabilities	100 012	206 570	291 507	453 623
Total liabilities	100 012	206 570	291 507	453 623
Equity				
Issued capital	1 575 109	1 575 109	1 575 109	1 575 109
Share premium	617 517	617 517	617 517	617 517
Statutory reserve capital	66 402	66 402	24 819	24 819
Other reserves	1 804	0	0	0
Retained earnings (loss)	1 748 745	1 748 745	1 257 938	1 257 938
Financial period profit (loss)	85 402	118 879	831 662	411 923
Total equity	4 094 979	4 126 652	4 307 045	3 887 306
Total liabilities and equity	4 194 991	4 333 222	4 598 552	4 340 929

Income statement

(In Euros, 2017 unaudited)

	2017	2017 H2	2016	2016 H2
Revenue	2 463 309	994 011	3 719 405	1 605 745
Other income	250	250	155 857	155 857
Changes in inventories of finished goods and work in progress	40 333	43 190	-29 499	-48 141
Raw materials and consumables used	-1 362 934	-592 018	-2 002 135	-808 527
Other operating expense	-219 448	-87 328	-290 999	-141 841
Employee expense	-325 851	-167 791	-327 911	-153 539
Depreciation and impairment loss (reversal)	-435 459	-223 823	-352 719	-184 872
Other expense	-61	-6	-5 001	-5 000
Operating profit (loss)	160 139	-33 515	866 998	419 682
Other financial income and expense	81	38	104	57
Profit (loss) before tax	160 220	-33 477	867 102	419 739
Income tax expense	-74 818	0	-35 440	0
Financial period profit (loss)	85 402	-33 477	831 662	419 739

Statement of cash flows

(In Euros, 2017 unaudited)

	2017	2017 H2	2016	2016 H2
Cash flows from operating activities				
Operating profit (loss)	160 139	-33 515	866 998	419 681
Adjustments				
Depreciation and impairment loss (reversal)	435 459	223 823	352 719	184 872
Profit (loss) from sale of non-current assets	-250	-250	0	0
Other adjustments	1 804	1 804	-155 857	-155 857
Total adjustments	437 013	225 377	196 862	29 015
Changes in receivables and prepayments related to operating activities	144 591	135 325	17 355	342 871
Changes in inventories	-41 207	-21 489	33 636	53 586
Changes in payables and prepayments related to operating activities	-86 006	-111 139	10 047	-100 089
Income tax refund (paid)	-74 818	0	-35 440	0
Proceeds from government grants	0	0	81 746	0
Total cash flows from operating activities	539 712	194 559	1 171 204	745 064
Cash flows from investing activities				
Purchase of property, plant and equipment and intangible assets	-623 795	-163 775	-918 015	-386 507
Proceeds from sales of property, plant and equipment and intangible assets	250	250	0	0
Interest received	81	38	104	57
Total cash flows from investing activities	-623 464	-163 487	-917 911	-386 450
Cash flows from financing activities				
Dividends paid	-299 271	0	-141 760	0
Total cash flows from financing activities	-299 271	0	-141 760	0
Total cash flows	-383 023	31 072	111 533	358 614
Cash and cash equivalents at beginning of period	1 103 517	689 422	991 984	744 903
Change in cash and cash equivalents	-383 023	31 072	111 533	358 614
Cash and cash equivalents at end of period	720 494	720 494	1 103 517	1 103 517

Statement of changes in equity

(In Euros, 2017 unaudited)

	Issued capital	Share premium	Statutory reserve capital	Other reserves	Retained earnings (loss)	Total
31.12.2015	1 575 109	617 517	2 812	0	1 421 705	3 617 143
Financial 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
31.12.2016	1 575 109	617 517	24 819	0	2 089 600	4 307 045
Financial period profit (loss)	0	0	0	0	85 402	85 402
Dividends paid	0	0	0	0	-299 271	-299 271
Changes in reserves	0	0	41 583	1 804	-41 584	1 803
31.12.2017	1 575 109	617 517	66 402	1 804	1 834 147	4 094 979

* As of 31 December 2017 the Company had 62 shareholders.