



Linda Nektar

## **AS Linda Nektar**

### **Report and Financial Statements**

**For the 12 month period ended 31 December 2015**

(unaudited)

**Reporting period:** 01.01.2015 – 31.12.2015

**Financial Year:** 01.01.2015 – 31.12.2015

**Code of company:** 10211034

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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's First North Market.



## **Report of activities**

### **Management Report**

AS Linda Nektar's performance in 2015 can be considered satisfactory. Regardless of the fact that the prices of key raw materials – sugar and juice concentrate – dropped on the world market leading to a subsequent obligation for the Company to reduce the contractual prices of products, it was able to increase its turnover by increasing its total sales volume. All figures for 2015 in the following discussion are unaudited.

The sales revenue of AS Linda Nektar for the 12 months of 2015 amounted to 2 757 055 euros (12 months of 2014: 2 744 558 euros).

As at 31.12.2015, the total assets of AS Linda Nektar were 3 913 657 euros (as at 31.12.2014: 2 722 184 euros), having increased by 43,8% compared to 2014. This primarily reflects the capital increase in May 2015 as well as the net profit of the enterprise.

Current assets made up 1 666 361 euros or 42,6% of the assets (12 months of 2014: 1 150 870 euros). The volume of fixed assets amounted to 2 247 296 euros (12 months of 2014: 1 571 314 euros) or 57,4% of the balance sheet total.

The total liabilities of AS Linda Nektar amounted to 296 515 euros (12 months of 2014: 180 028 euros) and the equity capital of the company increased to 3 617 142 euros (12 months of 2014: 2 542 156 euros). The Company does not carry any financial debt, although a credit facility remains in place.

Investments in 2015 amounted to 913 371 euros (12 months of 2014: 512 837 euros). Investments were made into fixed assets in the amount of 698 371 euros (12 months of 2014: 508 962 euros) and into intangible assets in the amount of 215 000 (12 months of 2014: 3 875 euros). This includes the purchase of key production machinery for existing product capacity expansion as well as the initial roll-out of the Company's proprietary technology in the field of aroma recovery.

Moreover, a part of the investment 2 year programme (2015-2016) has been granted government support from the Estonian Agricultural Registers and Information Board (ARIB,

Estonian: PRIA. These sums have no direct income statement effect, however, they have the effect of reducing the ultimate cost of the investments.

In the ordinary course of business AS Linda Nektar entered into an additional supply agreement with Tartu-based AS A Le Coq to supply apple-based wine. The contract is worth at least EUR 2m over a 3 year period starting 2016. As a result of the agreement equipment and intangible assets were purchased. The intangible assets will be depreciated during the new contract period for the apple wine. The purchased equipment is depreciated at the same pace as equipment in general.

Advance payments for tangible assets as at the balance sheet day of 31.12.2015 made up 11 700 euros (12 months of 2014: 0 euros).

Receivables and prepayments have increased to 312 883 euros (12 months of 2014: 157 475 euros). The reason for the increase of receivables were small sales in December 2014, which essentially lowered the amount of receivables at the end of the previous December. Changes in inventories were in line with normal fluctuations of production.

In 2015, development costs amounted to 190 725 euros (12 months of 2014: 276 767 euros). These R&D costs have been recognised as expenses. In the period 2014-2016, Enterprise Estonia is supporting the development project of AS Linda Nektar with 171 823 euros out of the development grant for manufacturing companies. In the financial year 2015, the Company received its first instalment in the amount of 74 112 euros. As at 31.12.2015, the targeted financing received is recorded in the balance sheet as a non-current liability which shall not affect the profit in 2015. At the end of the project in 2016 and after the performance of related terms and conditions, this targeted financing will be recorded as operating income.

As at 31.12.2015, AS Linda Nektar had 11 employees working under employment contracts and 2 employees working as contractors on the R&D projects. Labour costs are formed out of the wages paid to the employees, contractors, management and the supervisory council. In 2015, labour costs with taxes amounted to 296 553 euros (12 months of 2014: 243 997 euros). The labour costs were higher mainly due to performance-based incentive compensation.

In 2015, the Company paid dividends for the financial results of the year 2014 in the amount of 129 100 euros (payout ratio 40%). The income tax cost for shareholders for the payment of dividends was 32 275 euros.

The unaudited net profit of AS Linda Nektar for 2015 was 384 084 euros. The net profit for the same period in 2014 was 323 838 euros. Profit was mainly affected by extraordinary costs related to the increase of share capital and the operations related to the admission to trading on the alternative market First North in the amount of 64 704 euros, and product development costs amounted to 190 725 euros. Profit was also affected by the significantly higher depreciation costs in the amount of 236 806 euros (12 months of 2014: 183 718 euros) as a result of the abovementioned investments in fixed assets and intangible assets.

In May 2015 the company increased its share capital and the share was admitted to trading on the Nasdaq Baltic First North Market list. The Company's investment plan in additional capacity and entering into new technology was initiated during the second half of last year. The program is being implemented as planned at the main plant and will continue during 2016.

#### Financial Ratios (2015 unaudited)

	2015	2014
Current Ratio = Current Assets/ Current Liabilities	7,49	6,39
Quick ratio = (Current Assets – Inventories) / Current Liabilities	6,22	5,04
Working Capital Ratio = Current Assets - Current Liabilities	1 443 958	970 842
Equity Ratio = Total Equity / Total Assets	0,92	0,93
Net Profit Margin= Net Profit / Sales Revenue	13,93	11,80
Debt to Assets= Total Liabilities / Total Assets	0,08	0,07



Kadri Rauba

CEO

## Financial Statements

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

### Balance sheet

(In euros, 2015 unaudited)

	31.12.2015	31.12.2014
Assets		
Current assets		
Cash and cash equivalents	991 984	710 098
Receivables and prepayments	391 121	197 770
Inventories	283 256	243 002
<b>Total current assets</b>	<b>1 666 361</b>	<b>1 150 870</b>
Non-current assets		
Receivables and prepayments	0	582
Property, plant and equipment	2 040 436	1 566 086
Intangible assets	206 860	4 646
<b>Total non-current assets</b>	<b>2 247 296</b>	<b>1 571 314</b>
<b>Total assets</b>	<b>3 913 657</b>	<b>2 722 184</b>
Liabilities and equity		
Liabilities		
Current liabilities		
Payables and prepayments	222 403	180 028
<b>Total current liabilities</b>	<b>222 403</b>	<b>180 028</b>
Non-current liabilities		
Government grants *	74 112	0
<b>Total non-current liabilities</b>	<b>74 112</b>	<b>0</b>
<b>Total liabilities</b>	<b>296 515</b>	<b>180 028</b>
Equity		
Issued capital	1 575 109	28 116
Share premium	673 573	0
Statutory reserve capital	2 812	2 812
Retained earnings (loss)	981 564	2 187 390
Annual period profit (loss)	384 084	323 838
<b>Total equity</b>	<b>3 617 142</b>	<b>2 542 156</b>
<b>Total liabilities and equity</b>	<b>3 913 657</b>	<b>2 722 184</b>

\* Grants received before the revenue recognition criteria are satisfied are recognised as a liability on the balance sheet. (IFRS for SMEs 24.4 (c)). Such liability shall be recognised on the balance sheet as non-current depending on when conditions attaching to the grant are met. (Estonian GAAP 12)

**Income statement**

(In euros, 2015 unaudited)

	<b>2015</b>	<b>2014</b>
Revenue	2 757 055	2 744 558
Other income	10 659	7 522
Changes in inventories of finished goods and work in progress	64 209	-100 228
Raw materials and consumables used	-1 285 094	-1 219 597
Other operating expense *	-592 852	-606 572
Employee expense	-296 553	-243 997
Depreciation and impairment loss (reversal)	-236 806	-183 718
Other expense	-4 249	-4 124
<b>Operating profit (loss)</b>	<b>416 369</b>	<b>393 844</b>
Other financial income and expense	-10	-294
<b>Profit (loss) before tax</b>	<b>416 359</b>	<b>393 550</b>
Income tax expense	-32 275	-69 712
<b>Annual period profit (loss)</b>	<b>384 084</b>	<b>323 838</b>

\* Capital raising and "First North" costs 64 704 euros in 2015

\* Technology development costs 190 725 euros in 2015 (12 months of 2014: 276 767 euros).



**Statement of cash flows**

(In euros, 2015 unaudited)

	<b>2015</b>	<b>2014</b>
Cash flows from operating activities		
Profit (loss)	416 369	393 844
Adjustments	0	0
Depreciation and impairment loss (reversal)	236 806	183 718
<b>Total adjustments</b>	<b>236 806</b>	<b>183 718</b>
Changes in receivables and prepayments related to operating activities	-192 769	302 204
Changes in inventories	-40 254	120 299
Changes in payables and prepayments related to operating activities	-26 785	-49 810
Income tax refund (paid)	-32 275	-69 712
Interest paid	-10	-496
Proceeds from government grants *	74 112	0
<b>Total cash flows from operating activities</b>	<b>435 194</b>	<b>880 047</b>
Cash flows from investing activities	0	0
Purchase of property, plant and equipment and intangible assets	-844 210	-644 134
Proceeds from government grants	0	113 279
Interest received	0	202
<b>Total cash flows from investing activities</b>	<b>-844 210</b>	<b>-530 653</b>
Cash flows from financing activities	0	0
Proceeds from issuing shares	820 002	0
Dividends paid	-129 100	-262 250
<b>Total cash flows from financing activities</b>	<b>690 902</b>	<b>-262 250</b>
<b>Total cash flows</b>	<b>281 886</b>	<b>87 144</b>
Cash and cash equivalents at beginning of period	710 098	622 954
<b>Change in cash and cash equivalents</b>	<b>281 886</b>	<b>87 144</b>
Cash and cash equivalents at end of period	991 984	710 098

1<sup>st</sup> instalment of the "AS Linda Nektar Development Project" of Enterprise Estonia

**Statement of changes in equity**

(In euros, 2015 unaudited)

	Issued capital	Share premium	Statutory reserve capital	Retained earnings (loss)	Total
<b>31.12.2013</b>	<b>28 116</b>	<b>0</b>	<b>2 812</b>	<b>2 449 640</b>	<b>2 480 568</b>
Annual period profit (loss)	0	0	0	323 838	323 838
Dividends paid	0	0	0	-262 250	-262 250
<b>31.12.2014</b>	<b>28 116</b>	<b>0</b>	<b>2 812</b>	<b>2 511 228</b>	<b>2 542 156</b>
<b>31.12.2014</b>	<b>28 116</b>	<b>0</b>	<b>2 812</b>	<b>2 511 228</b>	<b>2 542 156</b>
Annual period profit (loss)	0	0	0	384 084	384 084
Issue of equity	146 429	673 573	0	0	820 002
Dividends paid	0	0	0	-129 100	-129 100
Other changes in equity	1 400 564	0	0	-1 400 564	0
<b>31.12.2015*</b>	<b>1 575 109</b>	<b>673 573</b>	<b>2 812</b>	<b>1 365 648</b>	<b>3 617 142</b>

\* April 2015 AS Linda Nektar's shareholders resolved to increase the Company's share capital by EUR 1,400,564 from the former EUR 28,116 to EUR 1,428,680. The share capital increase was carried out by means of a bonus issue.

\* On 12 May 2015, the shareholders of the Company resolved to increase the Company's share capital. In the course of the share capital increase exactly 146,429 new shares with the nominal value of EUR 1 per share were issued. The size of the share premium per 1 newly issued share was EUR 4.60. 146,429 shares were subscribed for at a price of EUR 5.60 per share. A total of EUR 820,002.40 was raised in gross proceeds.

\* As of 31 December 2015 the Company had 52 shareholders.