



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 | Transportation | Computers and computer systems | Other machinery and equipment | Machinery and equipment | Other property, plant and equipment | Unfinished projects | Unfinished projects and prepayments | |
| 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



Grant Thornton

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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

Audit
Internal audit
Outsourcing
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.

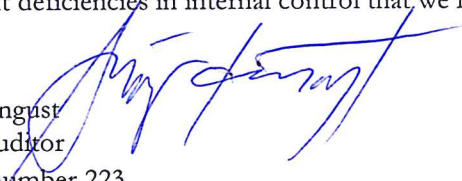
As part of an audit in accordance with ISA (EE)s, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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